



Metsimaholo Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity

Local Municipality

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, spatial development and land use management, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and sold and distributed to the consumers by the municipality); Water Services (supplying water to the consumers); and Rates and general services (all types of services rendered by the municipality, excluding the supply of housing to the community, but including the rental of units owned by the municipality to the public and staff).

Mayoral committee

Mayoral committee members up until 9 August 2016
Khonto MW
Kubheka NJ
Mabasa KT
Mabefu RJ
Makhoba KJ (Council Whip from 25 November 2015)
Mtshali NM (from 25 November 2015)
Radebe AN
Semonyo LS
Tshongwe SL

Mayoral committee members 22 August 2016 - 22 February 2017
Mofokeng TH (Councillor from 10 August 2016)
Mothibe MB (Councillor from 10 August 2016)
Mohapi P (Councillor from 10 August 2016)
Gaigher L (Councillor from 10 August 2016)
Motlhale SM (Councillor from 10 August 2016)
Grobbelaar JJ
Mthembu S (Councillor from 10 August 2016)
Burger GS (Councillor from 10 August 2016 - 3 March 2017)

Mayoral committee members 23 February 2017 - 30 June 2017
Mabasa KT
Mosia TE (Chairperson MPAC till 9 August 2017)
Mosokweni F (Councillor from 10 August 2016)
Fisher L (Councillor from 10 August 2016)
Mokoena NP (Councillor from 10 August 2016)
Radebe TL (Councillor from 10 August 2016)
Mthembu S (Councillor from 10 August 2016)
Mtshali NM (since 25 November 2015 to 10 August 2016 and From 4 March 2017))

Executive Mayor

Mahlaku BT (till 9 August 2016)

Councillors

Hlasa RS (from 22 August 2016)
Matena SZ (Speaker till 9 August 2016)
Soetsang TL (Council whip till 31 October 2015 and councillor till 9 August 2016)
Du Plooy A (Speaker from 22 August 2016)
Radebe LW (Council Whip from 22 August 2016)
Chebase LR (till 9 August 2016)
Coetzer FC (till 9 August 2016)
Du Plessis J (till 9 August 2016)
Du Toit T

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Dywili NN (from 10 August 2016)
Geyser JJ
Gouws EJ (from 10 August 2016)
Khunou SB (till 9 August 2016)
Kobo SS (from 10 August 2016)
Machaea MF (till 9 August 2016)
Madia RM (from 10 August 2016)
Mahlangu PJ (till 9 August 2016)
Majadibodu KC (from 10 August 2016)
Makhata L (from 10 August 2016)
Makhefu L (from 1 February 2017)
Mare AK
Maseko VJ (till 9 August 2016)
Mdola NL (till 9 August 2016)
Mofokeng D (from 10 August 2016)
Mofokeng SS (till 9 August 2016)
Mofokeng TJ (till 9 August 2016)
Mokoena DE (till 9 August 2016)
Mokoena MP (from 10 August 2016)
Molawa M (from 10 August 2016)
Moolman HJ (till 9 August 2016)
Moreki S (till 9 August 2016)
Mosia MM (till 9 August 2016)
Motaung TA (from 10 August 2016) and MPAC chairperson from 28 September 2016
Motjeane S (from 10 August 2016) and Ethics chairperson from 28 September 2016
Nnune GB
November N (from 10 August 2016)
Nthebe MD (till 9 August 2016)
Ntoane MG (till 9 August 2016)
Nteso SJ (from 10 August 2016)
Oswald DM (till 9 August 2016)
Phepheng-Lelahla JM (till 9 August 2016)
Poho MS (till 9 August 2016)
Rampala AM (till 9 August 2016)
Sejaki MN (till 9 August 2016)
Tamane MA (till 9 August 2016)
Telane MM (from 10 August 2016)
Tsotetsi L (from 10 August 2016)
Viljoen JD
Van der Walt MC (till 9 August 2016)
Zwane ZJ (from 23 February 2017)

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General Information

Grading of local authority	Metsimaholo Local Municipality is a grade 9 Local Authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998
Capacity of local authority	High Capacity
Municipal demarcation code	FS204
Accounting Officer	Molala SM
Chief Financial Officer (CFO)	Lambat A (B.Com, B.Accounting, CA(SA))
Registered office	Civic Centre Fichardt Street Sasolburg 1947
Business address	Civic Centre Fichardt Street Sasolburg 1947
Postal address	PO Box 60 Sasolburg 1947
Bankers	The Standard Bank of South Africa Ltd ABSA Bank Ltd
Auditors	Auditor-General of South Africa
Attorneys	Adolff Attorneys Boitumelo Maubane Attorneys Lebea and Associates Attorneys Leepile & Mbewe Inc Lizel Venter Attorneys Melato Attorneys Melato - Mkhwanazi Attorneys Molefi Thoabala Inc Attorneys Mollenaar and Griffiths Attorneys and Conveyancers Moroka Attorneys Ndobela Attorneys Ponoane Attorney, Notaries and Conveyancers Rasegoete & Associates Werksman Inc

Metsimaholo Local Municipality

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
CIGFARO	Chartered Institute of Government Finance Audit & Risk Officers (formerly IMFO)
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, Act No. 53 of 2003
MIG	Municipal Infrastructure Grant

Metsimaholo Local Municipality

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 6 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017.

Molala SM
Accounting Officer

Thursday, 31 August 2017

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

	Notes	2017 R	2016 Restated* R
Assets			
Current Assets			
Inventories	3	15 060 882	15 318 465
Other financial assets	4	3 018 504	4 117 476
Receivables from non - exchange transactions	5	73 714 833	63 483 471
Consumer debtors	6	155 586 040	147 923 826
Cash and cash equivalents	7	12 627 595	15 178 853
		260 007 854	246 022 091
Non-Current Assets			
Investment property	8	86 053 545	86 389 336
Property, plant and equipment	9	1 180 712 488	1 147 458 435
Intangible assets	10	4 344 519	317 626
Heritage assets	11	561 001	561 001
		1 271 671 553	1 234 726 398
Total Assets		1 531 679 407	1 480 748 489
Liabilities			
Current Liabilities			
Operating lease liability	12	2 339 748	1 883 504
Finance lease obligation	13	2 727 836	1 375 608
Payables from exchange transactions	14	221 585 738	214 192 180
VAT payable	15	6 171 606	10 915 968
Consumer deposits	16	19 459 196	18 026 993
Unspent conditional grants and receipts	17	7 583 751	833 375
Short term portion - long term loan	18	1 379 692	1 267 234
		261 247 567	248 494 862
Non-Current Liabilities			
Finance lease obligation	13	9 637 580	7 854 607
Employee benefit obligation	19	40 593 044	39 153 834
Landfill closure provision	20	31 850 938	49 618 678
Long term loan	18	3 136 825	4 516 517
		85 218 387	101 143 636
Total Liabilities		346 465 954	349 638 498
Net Assets		1 185 213 453	1 131 109 991
Accumulated surplus		1 185 213 453	1 131 109 991

* See Note 40

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

	Notes	2017 R	2016 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	21	535 047 962	513 136 112
Non-payment fees		5 601 620	5 202 473
Licences and permits		116 954	159 061
Fines		17 272 057	17 674 548
Levies - refuse dump yard		626 620	825 555
Connection fees		3 167 363	2 338 908
Other income	22	9 275 452	4 480 888
Income legal cost		3 593 305	4 464 527
Interest received - investment	23	2 107 597	2 701 815
Dividends received	23	98 858	96 022
Interest income - consumers	56	25 071 512	16 449 002
Rental of facilities	57	6 068 776	4 641 920
Total revenue from exchange transactions		608 048 076	572 170 831
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	128 980 269	114 445 495
Transfer revenue			
Government grants and subsidies	25	207 642 375	202 893 358
Public contributions and donations	26	10 414 953	16 729 794
Total revenue from non-exchange transactions		347 037 597	334 068 647
Total revenue	56	955 085 673	906 239 478
Expenditure			
Employee related costs	27	(244 980 573)	(231 547 634)
Remuneration of councillors	28	(15 757 133)	(15 246 933)
Depreciation and amortisation	29	(56 207 322)	(42 930 416)
Finance costs	30	(3 175 419)	(991 367)
Lease rentals on operating lease		(4 637 354)	(3 712 648)
Debt impairment	31	(141 774 023)	(127 167 185)
Bulk purchases	32	(324 865 693)	(317 838 362)
Contracted services	33	(31 384 039)	(30 976 176)
General expenses	34	(77 783 021)	(85 153 769)
Repairs and maintenance	54	(18 129 239)	(20 450 147)
Total expenditure		(918 693 816)	(876 014 637)
Operating surplus		36 391 857	30 224 841
(Loss)/ gain on disposal of assets		(1 876 969)	(1 657 070)
Actuarial gain/(loss)		1 419 971	4 185 156
Sale of stands	52	294 457	1 425 535
(Loss)/gain on inventory		(19 020)	409 049
Library inventory transfer write-downs		(79 295)	-
Fair value adjustments on stands		-	6 491 043
Fair value adjustment on listed equities		204 724	(275 732)
Rehabilitation of land fill sites	20	17 767 740	(4 724 649)
		17 711 608	5 853 332
Surplus for the year		54 103 465	36 078 173

* See Note 40

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Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	1 093 923 583	1 093 923 583
Adjustments		
Prior year adjustments	1 108 235	1 108 235
Balance at 01 July 2015 as restated*	1 095 031 818	1 095 031 818
Changes in net assets		
Surplus for the year	36 078 173	36 078 173
Total changes	36 078 173	36 078 173
Restated* Balance at 01 July 2016	1 131 109 988	1 131 109 988
Changes in net assets		
Surplus for the year	54 103 465	54 103 465
Total changes	54 103 465	54 103 465
Balance at 30 June 2017	1 185 213 453	1 185 213 453

* See Note 40

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Cash Flow Statement

	Note(s)	2017 R	2016 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		532 807 013	528 945 092
Grants		207 642 375	202 893 358
Interest income		21 161 946	15 861 017
Dividends received		98 858	96 022
Other receipts		14 574 023	9 942 303
		<u>776 284 215</u>	<u>757 737 792</u>
Payments			
Employee costs		(255 986 973)	(241 974 313)
Suppliers		(438 408 835)	(437 550 322)
Finance costs		(1 932 247)	(947 457)
		<u>(696 328 055)</u>	<u>(680 472 092)</u>
Net cash flows from operating activities	35	<u>79 956 160</u>	<u>77 265 700</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(85 973 538)	(99 267 340)
Movement in other financial assets		1 303 696	1 493 076
Proceeds from sale of stands		294 457	1 425 535
Net cash flows from investing activities		<u>(84 375 385)</u>	<u>(96 348 729)</u>
Cash flows from financing activities			
Repayment of finance lease		(1 977 461)	-
Repayment of long term loan		(1 267 234)	(1 163 296)
Finance lease receipts		5 112 662	9 230 215
Net cash flows from financing activities		<u>1 867 967</u>	<u>8 066 919</u>
Net increase/(decrease) in cash and cash equivalents		<u>(2 551 258)</u>	<u>(11 016 110)</u>
Cash and cash equivalents at the beginning of the year		15 178 853	26 194 963
Cash and cash equivalents at the end of the year	7	<u>12 627 595</u>	<u>15 178 853</u>

* See Note 40

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	682 952 050	(11 100 000)	671 852 050	535 047 962	(136 804 088)	51.1
Rental of facilities and equipment	5 780 030	-	5 780 030	6 068 776	288 746	
Interest income - consumers	18 940 170	3 100 000	22 040 170	25 071 512	3 031 342	51.28
Non - payment fees	3 979 180	2 000 000	5 979 180	5 601 620	(377 560)	51.2
Licences and permits	190 600	-	190 600	116 954	(73 646)	51.13
Fines	3 025 020	-	3 025 020	17 272 057	14 247 037	51.9
Levies dump yard	1 110 920	-	1 110 920	626 620	(484 300)	
Connection fees	3 269 200	-	3 269 200	3 167 363	(101 837)	51.5
Other income	7 132 280	39 780	7 172 060	9 275 452	2 103 392	51.3 ;4;7;8;23
Income legal cost	5 266 360	-	5 266 360	3 593 305	(1 673 055)	51.12
Interest received - investment	2 600 000	(1 200 000)	1 400 000	2 107 597	707 597	51.10
Dividends received	-	-	-	98 858	98 858	51.27

Total revenue from exchange transactions **734 245 810** **(7 160 220)** **727 085 590** **608 048 076** **(119 037 514)**

Revenue from non-exchange transactions

Taxation revenue

Property rates	113 366 430	7 830 000	121 196 430	128 980 269	7 783 839	51.6
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Transfer revenue

Government grants and subsidies	188 286 000	11 478 800	199 764 800	207 642 375	7 877 575	51.11
Public contributions and donations	10 500 000	3 974 850	14 474 850	10 414 953	(4 059 897)	51.22

Total revenue from non-exchange transactions **312 152 430** **23 283 650** **335 436 080** **347 037 597** **11 601 517**

Total revenue **1 046 398 240** **16 123 430** **1 062 521 670** **955 085 673** **(107 435 997)**

Expenditure

Employee related cost	(263 354 520)	(3 475 350)	(266 829 870)	(244 980 573)	21 849 297	51.17
Remuneration of councillors	(16 343 070)	-	(16 343 070)	(15 757 133)	585 937	51.18
Depreciation and amortisation	(73 535 340)	-	(73 535 340)	(56 207 322)	17 328 018	51.24
Finance costs	(2 541 470)	(294 400)	(2 835 870)	(3 175 419)	(339 549)	51.14
Lease rentals on operating lease	(5 005 630)	600 390	(4 405 240)	(4 637 354)	(232 114)	51.15
Debt impairment	(84 441 070)	(10 000 000)	(94 441 070)	(141 774 023)	(47 332 953)	51.21
Repairs and maintenance	(38 199 230)	260 000	(37 939 230)	(18 129 239)	19 809 991	51.29
Bulk purchases	(371 654 250)	10 020 000	(361 634 250)	(324 865 693)	36 768 557	51.25
Contracted services	(36 532 200)	(1 563 200)	(38 095 400)	(31 384 039)	6 711 361	51.20;26
General expenses	(107 230 180)	553 600	(106 676 580)	(77 783 021)	28 893 559	51.19;51.16

Total expenditure **(998 836 960)** **(3 898 960)** **(1 002 735 920)** **(918 693 816)** **84 042 104**

Operating surplus **47 561 280** **12 224 470** **59 785 750** **36 391 857** **(23 393 893)**

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Loss on disposal of assets and liabilities	-	-	-	(1 876 969)	(1 876 969)	
Actuarial gain	-	-	-	1 419 971	1 419 971	
Rehabilitation of landfill sites	-	-	-	17 767 740	17 767 740	
Sale of stands	1 001 000	-	1 001 000	294 457	(706 543)	
Loss on inventory	-	-	-	(19 020)	(19 020)	
Library transfer of assets	-	-	-	(79 295)	(79 295)	
Fair value adjustment on shares	-	-	-	204 724	204 724	
	1 001 000	-	1 001 000	17 711 608	16 710 608	
Surplus before taxation	48 562 280	12 224 470	60 786 750	54 103 465	(6 683 285)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	48 562 280	12 224 470	60 786 750	54 103 465	(6 683 285)	

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2017											
Financial Performance											
Property rates	113 366 430	7 830 000	121 196 430	-		121 196 430	128 980 269		7 783 839	106 %	114 %
Service charges	682 952 050	(11 100 000)	671 852 050	-		671 852 050	535 047 962		(136 804 088)	80 %	78 %
Investment revenue	2 600 000	(1 200 000)	1 400 000	-		1 400 000	2 206 455		806 455	158 %	85 %
Transfers recognised - operational	127 663 000	1 478 800	129 141 800	-		129 141 800	129 170 233		28 433	100 %	101 %
Other own revenue	49 694 760	5 139 780	54 834 540	-		54 834 540	72 508 087		17 673 547	132 %	146 %
Total revenue (excluding capital transfers and contributions)	976 276 240	2 148 580	978 424 820	-		978 424 820	867 913 006		(110 511 814)	89 %	89 %
Employee costs	(263 354 520)	(3 475 350)	(266 829 870)	-	-	(266 829 870)	(244 980 573)	-	21 849 297	92 %	93 %
Remuneration of councillors	(16 343 070)	-	(16 343 070)	-	-	(16 343 070)	(15 757 133)	-	585 937	96 %	96 %
Debt impairment	(84 441 070)	(10 000 000)	(94 441 070)			(94 441 070)	(141 774 023)	-	(47 332 953)	150 %	168 %
Depreciation and asset impairment	(73 535 340)	-	(73 535 340)			(73 535 340)	(56 207 322)	-	17 328 018	76 %	76 %
Finance charges	(2 541 470)	(294 400)	(2 835 870)	-	-	(2 835 870)	(3 175 419)	-	(339 549)	112 %	125 %
Materials and bulk purchases	(371 654 250)	10 020 000	(361 634 250)	-	-	(361 634 250)	(324 865 693)	-	36 768 557	90 %	87 %
Other expenditure	(186 967 240)	(149 210)	(187 116 450)	-	-	(187 116 450)	(133 889 917)	-	53 226 533	72 %	72 %
Total expenditure	(998 836 960)	(3 898 960)	(1 002 735 920)	-	-	(1 002 735 920)	(920 650 080)	-	82 085 840	92 %	92 %
Surplus/(Deficit)	(22 560 720)	(1 750 380)	(24 311 100)	-		(24 311 100)	(52 737 074)		(28 425 974)	217 %	234 %

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	60 623 000	10 000 000	70 623 000	-		70 623 000	78 472 142		7 849 142	111 %	129 %
Contributions recognised - capital and contributed assets	10 500 000	3 974 850	14 474 850	-		14 474 850	10 414 953		(4 059 897)	72 %	99 %
Surplus (Deficit) after capital transfers and contributions	48 562 280	12 224 470	60 786 750	-		60 786 750	36 150 021		(24 636 729)	59 %	74 %
Loss on inventory	-	-	-	-		-	(19 020)		(19 020)	DIV/0 %	DIV/0 %
Fair value adjustments on listed equities	-	-	-	-		-	204 724		204 724	DIV/0 %	DIV/0 %
Rehabilitation of landfill sites	-	-	-	-		-	17 767 740		17 767 740	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	48 562 280	12 224 470	60 786 750	-		60 786 750	54 103 465		(6 683 285)	89 %	111 %

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Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Capital expenditure and funding sources											
Total capital expenditure	113 245 440	13 194 420	126 439 860	-		126 439 860	(116 877 452)		(243 317 312)	(92)%	(103)%
Sources of capital funds											
Transfers recognised - capital	59 591 850	9 000 000	68 591 850	-		68 591 850	68 772 492		180 642	100 %	115 %
Public contributions and donations	7 500 000	4 974 850	12 474 850	-		12 474 850	8 864 203		(3 610 647)	71 %	118 %
Borrowing	1 000 000	10 084 570	11 084 570	-		11 084 570	4 484 791		(6 599 779)	40 %	448 %
Internally generated funds	45 153 590	(10 865 000)	34 288 590	-		34 288 590	11 663 239		(22 625 351)	34 %	26 %
Total sources of capital funds	113 245 440	13 194 420	126 439 860	-		126 439 860	93 784 725		(32 655 135)	74 %	83 %

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Cash flows											
Net cash from (used) operating	125 402 000	(35 082 000)	90 320 000	-		90 320 000	79 956 160		(10 363 840)	89 %	64 %
Net cash from (used) investing	(104 744 000)	(8 219 000)	(112 963 000)	-		(112 963 000)	(84 375 385)		28 587 615	75 %	81 %
Net cash from (used) financing	(2 389 000)	11 151 000	8 762 000	-		8 762 000	1 867 967		(6 894 033)	21 %	(78)%
Net increase/(decrease) in cash and cash equivalents	18 269 000	(32 150 000)	(13 881 000)	-		(13 881 000)	(2 551 258)		11 329 742	18 %	(14)%
Cash and cash equivalents at the beginning of the year	732 000	13 613 000	14 345 000	-		14 345 000	15 178 853		833 853	106 %	2 074 %
Cash and cash equivalents at year end	19 001 000	(18 537 000)	464 000	-		464 000	12 627 595		(12 163 595)	2 721 %	66 %

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a receivable.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. Any write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the discounted cashflow projection assumption may change which may then impact on the estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non - cash generating assets:

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefits or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits and other long-term benefits

The present value of the post retirement and other long-term employee obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net long-term benefit include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term employee obligations are based on current market conditions. Additional information is disclosed in note 19.

Effective interest rate

The municipality used the incremental borrowing rate to discount future cash flows.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 8).

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement part is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. The depreciation charge is recognised in surplus or deficit.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	3 - 30 years
Infrastructure	Straight line	5 - 50 years
Land		Indefinite
Motor vehicles	Straight line	3 - 20 years
Office equipment	Straight line	3 - 10 years
Plant and machinery	Straight line	3 - 15 years

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of the an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 9).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore certain items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

The related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Intangible assets (continued)

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset. The amortisation charge for each period is recognised in surplus or deficit.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 11).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 11 - Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Heritage assets (continued)

Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Operating lease	Financial liability measured at amortised cost
Long term loan	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the accounting policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Statutory receivables (continued)

- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the receivable; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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Accounting Policies

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Management use their discretion in acquiring and managing assets of the municipality. Where assets are used primarily with the intention of generating a commercial return and generating cash flows managed for cash-generating purposes the assets are treated as cash-generating assets.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset is initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

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1.11 Impairment of cash-generating assets (continued)

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Metsimaholo Local Municipality

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Accounting Policies

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: Management use their discretion in acquiring and managing assets of the municipality. Where assets are used primarily with the intention of service delivery and generating cash flows managed for non-cash-generating purposes the assets are treated as non - cash generating assets.

Identification

When the carrying amount of a non - cash generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.15 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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Accounting Policies

1.15 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are expensed in the period in which they are incurred.

1.16 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered a service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Metsimaholo Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

Metsimaholo Local Municipality

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Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Metsimaholo Local Municipality

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1.17 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, are accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.18 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Metsimaholo Local Municipality

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Accounting Policies

1.18 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.19 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Metsimaholo Local Municipality

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Metsimaholo Local Municipality

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Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given rise to the transfer occurred.

1.23 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.23 Commitments (continued)

- contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 40 for detail.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual amounts.

1.29 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 16 (as revised 2015) Investment Property

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarity was provided on the wording related to the use of external valuers;
- introduction of more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements..

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 17 (as revised 2015) Property, Plant and Equipment

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarity was provided on the wording related to the use of external valuers;
- introduction of more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the amendment is for years beginning on or after 01 April 2016.

The municipality has adopted the amendment for the first time in the 2017 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers: definitions, preparation of separate financial statements, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers: definitions, control, accounting requirements, investment entities: fair value requirement, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers: definitions, significant influence, equity method, application of the equity method, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers: definitions, joint arrangements, financial statements and parties to a joint arrangement, separate financial statements, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers: definitions, disclosing information about interests in other entities, significant judgements and assumptions, investment entity status, interests in controlled entities, interests in joint arrangements and associates, interests in structured entities that are not consolidated, non-qualitative ownership interests, controlling interests acquired with the intention of disposal, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110: Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources.

It furthermore covers: definitions, recognition, measurement, depreciation, impairment, compensation for impairment, transfers, derecognition, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The impact of this standard is currently being assessed.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets (GRAP 103). As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date.

The impact of this interpretation is currently being assessed.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: to align terminology in GRAP 12 with that in IPSAS 12. The term “ammunition” in IPSAS 12 was replaced with the term “military inventories” and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: to clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; to align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and to define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: to update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: to add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: to clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: to clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

Amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: to require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers: definitions, identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation, disclosure, transitional provisions and effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers: definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 18 Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in the budget documentation will usually reflect the segments for which a municipality reports information to management.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

3. Inventories

Water (purified water in reservoirs and pipes)	495 836	416 138
Unsold properties held for resale	13 164 043	13 635 042
Fuel (diesel, petrol)	391 185	203 333
Stores and materials	1 009 818	1 063 952
	15 060 882	15 318 465

After the inventory count, an amount of R 19 020 was written off.

Inventory pledged as security

During the year no inventory was pledged as security.

4. Other financial assets

Designated at fair value

Listed shares	2 987 863	2 783 139
Sanlam shares		
2017:46 109 @ R64.80		
2016:46 109 @ R60.36		
Unit trusts	-	1 303 696
Sanlam - SIM Money market fund		
2017:0 shares @ 100 cents		
2016:1 303 696 shares @ 100 cents		
	2 987 863	4 086 835

At amortised cost

Investment - ceded	30 641	30 641
	3 018 504	4 117 476

Total other financial assets

Current assets

At fair value	2 987 863	4 086 835
At amortised cost	30 641	30 641
	3 018 504	4 117 476

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
4. Other financial assets (continued)		
Financial assets at fair value		
Fair value hierarchy of financial assets at fair value		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 1		
Sanlam shares	2 987 863	2 783 139
Sanlam unit trust	-	1 303 696
	2 987 863	4 086 835
5. Receivables from non - exchange transactions		
Receivables	6 435 024	8 746 133
Deposits	1 764 798	1 675 695
Operating lease receivables	-	1
Rates	110 714 226	91 228 779
Sundry receivables	77 050 789	77 955 026
Traffic fines	15 923 702	17 692 325
Prepaid electricity payments	3 465 894	2 877 800
Allowance for impairment	(141 639 600)	(136 692 288)
	73 714 833	63 483 471
Pledged as security		
None of the receivables from non-exchange transactions was pledged as security by the municipality during the financial year.		
Rates		
Current (0 - 30 days)	9 624 912	7 442 119
31 - 60 days	4 945 408	3 820 017
61 - 90 days	2 798 629	2 373 003
> 91 days	93 345 278	77 593 640
Allowance for impairment	(63 269 916)	(53 256 207)
	47 444 311	37 972 572
Summary of receivables by customer classification		
Household consumers		
Current (0 - 30 days)	5 771 314	5 056 319
31 - 60 days	3 959 610	2 886 090
61 - 90 days	2 373 836	1 978 779
> 91 days	80 549 731	66 392 149
	92 654 491	76 313 337
Industrial and commercial consumers		
Current (0 - 30 days)	3 762 196	2 357 716
31 - 60 days	936 912	907 324
61 - 90 days	394 960	367 633
> 91 days	10 071 599	8 611 878
	15 165 667	12 244 551

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
5. Receivables from non - exchange transactions (continued)		
National and provincial government		
Current (0 - 30 days)	91 402	28 084
31 - 60 days	48 886	26 603
61 - 90 days	29 833	26 591
> 91 days	2 723 948	2 589 613
	2 894 069	2 670 891
Total		
Current (0 - 30 days)	9 624 912	7 442 119
31 - 60 days	4 945 408	3 820 017
61 - 90 days	2 798 629	2 373 003
> 91 days	93 345 278	77 593 640
Allowance for impairment	(63 269 916)	(53 256 207)
	47 444 311	37 972 572
Traffic Fines		
Current (0 -30 days)	1 233 690	342 900
31 - 60 days	922 400	1 898 400
61 - 90 days	2 118 700	1 800 300
> 91 days	11 648 912	13 650 725
Allowance for impairment	(12 261 105)	(11 547 250)
	3 662 597	6 145 075
Sundry Reveivables		
Current (0 - 30 days)	7 240 335	1 510 798
31 - 60 days	617 598	1 116 324
61 - 90 days	1 018 030	591 841
> 91 days	68 174 826	74 776 063
Allowance for impairment	(66 108 579)	(71 888 830)
	10 942 210	6 106 196

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables of R 141 639 600 (2016: R 136 692 289) were impaired and provided for.

The ageing of these trade and other receivables is as follows:

3 to 6 months	3 816 659	2 964 844
Over 6 months	161 520 104	152 369 703

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
5. Receivables from non - exchange transactions (continued)		
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	(136 692 288)	(121 760 403)
Allowance for impairment on other receivables - reversal	5 780 251	(10 750 956)
Amounts written off as uncollectible (traffic fines)	16 651 323	20 023 298
Allowance for impairment on traffic fines	(17 365 177)	(17 464 434)
Allowance for impairment on rates	(10 290 135)	(7 035 250)
Amounts written off as uncollectible (rates)	276 426	295 457
	(141 639 600)	(136 692 288)
6. Receivables from exchange transactions		
Gross balances		
Electricity	89 017 504	82 666 700
Water	616 541 883	510 904 316
Sewerage	38 401 564	32 685 659
Refuse	53 956 839	44 094 636
	797 917 790	670 351 311
Less: Allowance for impairment		
Electricity	(42 268 497)	(34 843 524)
Water	(523 365 357)	(423 495 510)
Sewerage	(31 713 468)	(27 258 752)
Refuse	(44 984 428)	(36 829 699)
	(642 331 750)	(522 427 485)
Net balance		
Electricity	46 749 007	47 823 176
Water	93 176 526	87 408 806
Sewerage	6 688 096	5 426 907
Refuse	8 972 411	7 264 937
	155 586 040	147 923 826
Electricity		
Current (0 -30 days)	14 448 890	7 364 030
31 - 60 days	7 401 475	6 242 597
61 - 90 days	3 501 801	3 035 403
91 - 120 days	63 665 339	66 024 670
Allowance for impairment	(42 268 498)	(34 843 524)
	46 749 007	47 823 176
Water		
Current (0 - 30 days)	40 001 363	39 567 429
31 - 60 days	17 906 252	24 954 620
61 - 90 days	13 555 011	14 045 428
91 - 120 days	545 079 257	432 336 839
Allowance for impairment	(523 365 357)	(423 495 510)
	93 176 526	87 408 806

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
6. Receivables from exchange transactions (continued)		
Sewerage		
Current (0 - 30 days)	1 931 314	1 734 317
31 - 60 days	1 215 655	1 038 955
61 - 90 days	864 406	705 822
91 - 120 days	34 390 188	29 206 565
Allowance for impairment	(31 713 467)	(27 258 752)
	6 688 096	5 426 907
Refuse		
Current (0 - 30 days)	2 515 322	2 250 898
31 - 60 days	1 658 961	1 533 412
61 - 90 days	1 321 300	1 149 573
91 - 120 days	48 461 256	39 160 753
Allowance for impairment	(44 984 428)	(36 829 699)
	8 972 411	7 264 937

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
6. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 - 30 days)	47 401 426	36 898 634
31 - 60 days	20 259 744	23 169 199
61 - 90 days	16 399 221	12 358 356
91 - 120 days	637 421 366	509 565 806
	721 481 757	581 991 995
Industrial / commercial		
Current (0 - 30 days)	9 270 448	10 230 670
31 - 60 days	5 220 833	5 927 714
61 - 90 days	1 409 659	6 054 632
91 - 120 days	42 580 608	40 364 786
	58 481 548	62 577 802
National and provincial government		
Current (0 - 30 days)	2 225 015	3 787 370
31 - 60 days	2 701 766	4 672 671
61 - 90 days	1 433 638	523 237
91 - 120 days	11 594 066	16 798 236
	17 954 485	25 781 514
Total		
Current (0 - 30 days)	58 896 889	50 916 674
31 - 60 days	28 182 343	33 769 584
61 - 90 days	19 242 518	18 936 225
91 - 120 days	691 596 040	566 728 828
	797 917 790	670 351 311
Less: Allowance for impairment	(642 331 750)	(522 427 485)
	155 586 040	147 923 826
Less: Allowance for impairment		
Current (0 - 30 days)	(12 751 527)	(14 004 296)
31 - 60 days	(14 459 148)	(17 275 093)
61 - 90 days	(13 001 760)	(9 275 549)
91 - 120 days	(602 119 315)	(481 872 547)
	(642 331 750)	(522 427 485)
Total debtor past due but not impaired		
Current (0 - 30 days)	46 145 362	36 912 379
31 - 60 days	13 723 195	16 494 491
61 - 90 days	6 240 758	9 660 676
91 - 120 days	89 476 725	84 856 280
	155 586 040	147 923 826

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
6. Receivables from exchange transactions (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(522 427 485)	(430 760 556)
Contributions to allowance	(119 898 962)	(91 916 543)
Debt impairment written off against allowance	-	249 614
Reversal of written off debt	(5 303)	-
	(642 331 750)	(522 427 485)

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Receivables from exchange transactions past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 109 440 679 (2016: R 109 374 522) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	13 723 195	16 494 491
2 months past due	6 240 759	9 660 676
3 months past due	89 476 725	83 219 355

Receivables from exchange transactions impaired

As of 30 June 2017, receivables from exchange transactions of R 642 331 750 (2016: R 522 427 485) were impaired and provided for.

The ageing of the impairment is as follows:

3 to 6 months	13 001 760	9 275 549
Over 6 months	602 119 315	481 872 547

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 150	5 489
Bank balances	5 245 991	1 223 842
Short-term deposits	7 376 454	13 949 522
	12 627 595	15 178 853

Cash and cash equivalents held by the municipality allocated to unspent conditional grants	7 583 751	833 375
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Unspent grants

- Department of Co-operative Governance R 704 984 (2016: R 704 984)
- Department of Water and sanitation R 79 057 (2016: R 79 057)
- Department of Energy 2017: R 1 442 950 (2016: R 0)
- Extended Public Works Program 2017: R 0 (2016: R 49 334)
- Municipal Infrastructure Grant R 5 356 759 (2016: R 0)

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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7. Cash and cash equivalents (continued)

Cash and cash equivalents pledged as guarantees

Guarantee: Eskom as electricity deposit	990 000	990 000
Guarantee: Post Office as postal deposit	80 000	80 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA Bank - Cheque Account	635 473	407 374	3 584 900	635 472	404 974	3 584 900
ABSA Bank - Revenue account- 520 000 062	-	-	-	-	(3 188)	-
Standard Bank - current account (primary bank account) - 240347862	4 988 001	4 592 175	2 290 877	4 610 519	1 335 591	2 882 505
Standard Bank - Revenue Account - 33 197 836 9	-	-	8 393 419	-	(513 535)	8 389 773
ABSA Bank - Call Account - 907 840 0708	1 154 993	1 915 309	3 633 177	-	-	-
ABSA Bank - Call Account - 907 840 0708	-	27 726	1 427 726	-	-	-
Standard Bank - Call deposit account	109 045	5 573 806	1 073 805	-	-	-
Standard Bank - Call deposit account - 228 505 348	323 807	129 530	394	-	-	-
Nedbank -Call deposit account -788 103 308	1 073 095	73 095	5 773 095	-	-	-
Standard Bank - money Market- 447 648	-	-	1 000 000	-	-	-
Investec- Call account- 1100 - 523923	4 687 789	6 230 057	-	-	-	-
Rand Merchant Bank CDS- DC02J00005	27 726	-	-	-	-	-
Investments	-	-	-	7 376 454	13 949 522	11 332 296
Total	12 999 929	18 949 072	27 177 393	12 622 445	15 173 364	26 189 474

8. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	86 592 762	(539 217)	86 053 545	86 902 762	(513 426)	86 389 336

Reconciliation of investment property - 2017

	Opening balance	Disposals	Depreciation	Total
Investment property	86 389 336	(310 000)	(25 791)	86 053 545

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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8. Investment property (continued)

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	86 415 127	(25 791)	86 389 336

Pledged as security

None of the above investment property have been pledged as security.

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

During the year no repairs and maintenance cost occurred on investment property.

9. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Infrastructure Work in Progress	352 466 847	-	352 466 847	300 761 672	-	300 761 672
Buildings	138 700 178	(57 569 302)	81 130 876	133 213 529	(54 881 551)	78 331 978
Buildings Work in Progress	8 654 577	-	8 654 577	7 549 884	-	7 549 884
Land Work in Progress	63 665	-	63 665	63 665	-	63 665
Furniture and fixtures	25 087 378	(22 159 429)	2 927 949	26 168 400	(20 511 333)	5 657 067
Infrastructure	1 508 495 586	(1 031 597 719)	476 897 867	1 485 411 882	(992 475 542)	492 936 340
Land	225 302 149	-	225 302 149	225 607 149	-	225 607 149
Leased assets	11 019 753	(994 762)	10 024 991	8 096 680	(103 938)	7 992 742
Motor vehicles	33 500 369	(23 148 417)	10 351 952	31 944 815	(20 574 130)	11 370 685
Office equipment	41 067 057	(34 684 257)	6 382 800	40 216 253	(30 197 597)	10 018 656
Plant and machinery	19 157 926	(12 649 111)	6 508 815	18 459 474	(11 290 877)	7 168 597
Total	2 363 515 485	(1 182 802 997)	1 180 712 488	2 277 493 403	(1 130 034 968)	1 147 458 435

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through donations	Disposals	Depreciation	Total
Buildings	78 331 978	3 298 748	2 187 901	-	(2 687 751)	81 130 876
Buildings Work in Progress	7 549 884	1 104 693	-	-	-	8 654 577
Furniture and fixtures	5 657 067	60 813	-	(108 800)	(2 681 131)	2 927 949
Infrastructure	492 936 340	23 438 206	-	(354 500)	(39 122 179)	476 897 867
Infrastructure Work in Progress	300 761 672	51 705 175	-	-	-	352 466 847
Land	225 607 149	-	-	(305 000)	-	225 302 149
Motor vehicles	11 370 685	1 828 994	1 413 271	(306 964)	(3 954 034)	10 351 952
Office equipment	10 018 656	557 898	838 175	(49 496)	(4 982 433)	6 382 800
Plant and machinery	7 168 597	1 055 939	-	(50 504)	(1 665 217)	6 508 815
Land Work in Progress	63 665	-	-	-	-	63 665
Leased assets	7 992 742	2 923 073	-	-	(890 824)	10 024 991
	1 147 458 435	85 973 539	4 439 347	(1 175 264)	(55 983 569)	1 180 712 488

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Additions through donations	Disposals	Depreciation	Total
Buildings	80 996 249	-	-	-	(2 664 271)	78 331 978
Buildings Work in Progress	1 642 905	5 906 979	-	-	-	7 549 884
Furniture and fixtures	7 859 479	332 278	-	-	(2 534 690)	5 657 067
Infrastructure	490 645 572	17 027 883	14 728 477	(1 579 036)	(27 886 556)	492 936 340
Infrastructure Work in progress	234 068 872	66 692 800	-	-	-	300 761 672
Land	225 266 449	-	340 700	-	-	225 607 149
Motor vehicles	15 229 557	-	-	(53 300)	(3 805 572)	11 370 685
Office equipment	14 942 927	16 694	1 315	(663)	(4 941 617)	10 018 656
Plant and machinery	6 902 738	1 130 361	-	(24 071)	(840 431)	7 168 597
Land Work in Progress	-	63 665	-	-	-	63 665
Lease assets	-	8 096 680	-	-	(103 938)	7 992 742
	1 077 554 748	99 267 340	15 070 492	(1 657 070)	(42 777 075)	1 147 458 435

Pledged as security

None of the above property, plant and equipment have been pledged as security, other than obligations under finance leases that are secured by lessor's charge over the leased assets - refer to note 13.

Assets subject to finance lease (net carrying amount)

Motor vehicles	9 241 705	7 992 742
Office equipment	783 286	-
	10 024 991	7 992 742

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	300 761 672	7 613 549	308 375 221
Additions/capital expenditure	65 499 812	3 700 180	69 199 992
Transferred to completed items	(13 794 637)	(2 595 487)	(16 390 124)
	352 466 847	8 718 242	361 185 089

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	234 068 872	1 642 905	235 711 777
Additions/capital expenditure	66 692 800	5 970 644	72 663 444
	300 761 672	7 613 549	308 375 221

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure included in Statement of Financial Performance

Employee related costs	58 977 913	53 996 298
Contracted services and materials	18 129 239	20 450 147
General expenses	638 935	3 241 456
	77 746 087	77 687 901

Projects delayed

Gortin Sanitation project: Dispute between consultant and contractor pertaining to the design and additional scope of work and hence payment dispute.

Oranjeville Sports Complex: There were design discrepancies on the earthworks and labour disputes on subcontracting. Inadequate funding that result in a request for additional budget. The scope of work need to be reduced.

Paving of roads Ward 10 Zamdela: Limited funding and planned for 2017/18 financial year.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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10. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5 088 176	(743 657)	4 344 519	863 321	(545 695)	317 626

Reconciliation of intangible assets - 2017

	Opening balance	Additions through donations	Amortisation	Total
Computer software	317 626	4 224 855	(197 962)	4 344 519

Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	445 177	(127 551)	317 626

Pledged as security

None of the above intangible assets have been pledged as security.

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	561 001	-	561 001	561 001	-	561 001

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical buildings	561 001	561 001

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical buildings	561 001	561 001

Heritage assets which fair values cannot be reliably measured

This is land used to manufacture bricks that were used to build the Union Buildings in Pretoria (Tshwane).

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
12. Operating lease		
Government Garage		
Opening balance	1 883 504	1 199 646
Movement for the year	456 243	683 858
	2 339 747	1 883 504
Minimum lease payments due		
- within one year	2 847 658	3 530 841
- in second to fifth year inclusive	1 909 720	3 336 907
	4 757 378	6 867 748
Operating lease - Government Garage		
Operating lease payments represent rentals payable by the municipality for certain of its motor vehicles. Leases for motor vehicle are negotiated for an average of three years and rentals are fixed for the full term of the lease.		
Operating lease - Abrahamsrust Resort		
Operating lease payments represent rentals payable by the municipality for rental of property situated in Abrahamsrust.		
The municipality has a 50 year lease that expired on 31 March 2017 and a new lease has been entered into for a period of three years. The new agreement is from 1 April 2017 till 31 March 2019 and amounts to R1 per year.		
13. Finance lease obligation		
Minimum lease payments due		
- within one year	3 852 875	2 241 653
- in second to fifth year inclusive	11 211 156	9 389 987
- later than five years	-	186 752
	15 064 031	11 818 392
less: future finance charges	(2 698 615)	(2 588 177)
Present value of minimum lease payments	12 365 416	9 230 215
Present value of minimum lease payments due		
- within one year	2 727 836	1 375 608
- in second to fifth year inclusive	9 637 580	7 669 393
- later than five years	-	185 214
	12 365 416	9 230 215
Non-current liabilities	9 637 580	7 854 607
Current liabilities	2 727 836	1 375 608
	12 365 416	9 230 215

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease terms were 3 and 5 years and the average effective borrowing rate was 10% (2016: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
14. Payables from exchange transactions		
Accrued bonus	4 637 802	4 453 544
Accrued expenses	107 594 762	113 963 837
Accrued leave pay	16 197 969	14 521 736
Eskom	38 734 074	26 449 491
Payments received in advance	17 074 503	15 498 789
Rand Water	11 135 456	10 720 677
Retentions	14 324 979	13 813 667
Trade payables	11 886 193	14 770 439
	221 585 738	214 192 180
15. VAT payable		
Value added tax payable	6 171 606	10 915 968
16. Consumer deposits		
Water and electricity	19 459 196	18 026 993
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Department of Co-operative Governance and Traditional Affairs	704 984	704 984
Department of Energy	1 442 951	-
Extended Public Works Programme	-	49 334
Municipal Infrastructure Grant	5 356 759	-
Water Demand Management	79 057	79 057
	7 583 751	833 375
Movement during the year		
Balance at the beginning of the year	833 375	1 326 620
Additions during the year	214 392 751	202 400 113
Income recognition during the year	(207 642 375)	(202 893 358)
	7 583 751	833 375
See note 25 for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
18. Long term loan		
Development Bank of Southern Africa Limited - Non-current portion	3 136 825	4 516 517
Development Bank of Southern Africa Limited - Current portion	1 379 692	1 267 234

Terms and conditions

The original loan amount approved was R 19 000 000 but only R 9 000 000 was disbursed in 2012/2013 financial year. The interest on the loan is fixed at 8.67% with capitalisation every 6 months but will be 10.67% on arrear amounts. The interest and capital repayment is made every 6 months in 14 equal instalments of R 871 356 over 7 years. The loan is unsecured but the application of the loan is conditional to specific projects.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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19. Employee benefit obligations

Defined benefit plan

Reconciliation of employee benefits obligation - 2017

	Opening Balance	Additions	Total
Employee benefit cost medical	25 140 278	2 153 299	27 293 577
Employee benefits long service awards	14 013 556	(714 089)	13 299 467
	39 153 834	1 439 210	40 593 044

Reconciliation of employee benefits obligation - 2016

	Opening Balance	Additions	Total
Employee benefit cost medical	25 989 436	(849 158)	25 140 278
Employee benefits long service awards	15 537 619	(1 524 063)	14 013 556
	41 527 055	(2 373 221)	39 153 834

Employee benefit cost obligation

Post Employment Health Care Benefits

Balance at beginning of year	25 140 278	25 989 436
Current-service cost	456 192	467 711
Interest cost	2 214 237	2 227 127
Actuarial (gain) / loss	810 178	(2 218 536)
Employer benefit payments	(1 327 308)	(1 325 460)
	27 293 577	25 140 278

Continued Medical aid membership

Municipal employees contribute to accredited medical schemes.

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The Projected Unit Credit Method has been used to value the liabilities.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
19. Employee benefit obligations (continued)		
Accrued liability		
Category of member		
In-service members	9 315 745	10 562 509
Continuation members	17 977 832	14 577 769
All members		
Total liability	27 293 577	25 140 278
Value of asset	-	-
	27 293 577	25 140 278

Liabilities and experience adjustments are made. The table summarises the accrued liabilities and the plan assets for the current period and the previous period.

History of liabilities and assets		
Present value of accrued liability	27 293 577	25 140 278
Fair value of plan asset	-	-
	27 293 577	25 140 278

The experience adjustments for the current period is summarised below. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

History of experience adjustments: Gains and losses		
Experience adjustment		
Liabilities: (gain) / loss	810 178	(2 218 536)
Assets: gain / (loss)	-	-
	810 178	(2 218 536)

Best estimate of benefits payments expected in next annual period 2017/2018 (comparatives are for 2016/2017)

Opening accrued liability	27 293 577	25 140 278
Current service cost	399 902	456 192
Interest cost	2 446 487	2 214 237
Benefit vestings	(1 702 970)	(1 327 308)
Total annual expense	-	-
	28 436 996	26 483 399

History of liabilities and assets (R millions)

Liability History	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017
Accrued liability	30.414	24.076	25.989	25.140	27.294

Key financial assumptions

The table summarises the financial assumption used.

Discount rates	9,25 %	9,04 %
Health care cost inflation rate	7,58 %	8,14 %
Net effective discount rate	1,55 %	0,83 %

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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19. Employee benefit obligations (continued)

The next contribution rate increase is assumed to occur at 1 January 2018.

Average retirement age	65
Continuation of membership at retirement	70%
Proportion assumed married at retirement	70%
Mortality during employment	SA 85-90
Mortality post-retirement	PA 90-1 ultimate

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	18%	12%
	40	10%	8%
	50	4%	4%
	>55	2%	2%

Number of in service members	48
Number of pensioners	42

Summarised results of the sensitivity analysis.

Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		9.316	17.978	27.294	
Health care inflation	1%	9.783	18.601	28.384	4
	-1%	8.539	17.169	25.708	(6)
Post-retirement mortality	-1 yr	7.919	16.621	24.539	(10)
Average retirement age	-1 yr	11.070	19.548	30.618	12

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 4% higher than that shown.

Long term service awards

Balance at beginning of year	14 013 556	15 537 619
Current-service cost	1 813 650	1 489 958
Interest cost	1 126 312	1 146 306
Actuarial (gain) / loss	(2 230 149)	(1 966 620)
Employer benefit payments	(1 423 902)	(2 193 707)
	13 299 467	14 013 556

Employer benefit payments

Value of long-service awards	13 086 284	13 775 349
Retirement gifts	213 183	238 207
	13 299 467	14 013 556

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
19. Employee benefit obligations (continued)		
Best estimate of benefits payments expected in next annual period 2017/2018 (comparatives are for 2016/2017)		
Opening accrued liability	13 299 467	14 013 556
Current service cost	1 687 032	1 813 650
Interest cost	1 037 468	1 126 312
Benefit vesting	(1 873 106)	(1 423 902)
Total annual expenses	-	-
	14 150 861	15 529 616

Long service awards

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

	Female	Male	Total
Number of eligible employees	209	506	715
Average annual salary	188 591	175 532	179 349
Salary-weighted average age	44.5	45.4	45.2
Salary-weighted average past service	10.8	8.4	9.1

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. There are two policies in place.

Completed service (in years)	Long service bonuses % annual salary	Description
5	4.0%	$(5/250 + 2\%) \times \text{annual salary}$
10	7.0%	$(10/250 + 3\%) \times \text{annual salary}$
15	10.0%	$(15/250 + 4\%) \times \text{annual salary}$
20	11.0%	$(15/250 + 5\%) \times \text{annual salary}$
25,30,35,40,45	12.0%	$(15/250 + 6\%) \times \text{annual salary}$

733 Employees benefit from this policy

Special leave pay

44 of the employees receive an additional six days of annual leave once they reach their five years of service.

Retirement gifts

84 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The Projected Unit Credit Method has been used to value the liabilities.

Key Financial assumptions

The table summarised the financial assumptions used.

Discount rates	8,38 %	8,46 %
General Salary Inflation (long term)	6,20 %	7,12 %
Net effective discount rate	2,05 %	1,25 %

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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19. Employee benefit obligations (continued)

The salaries used in the valuation include an assumed increase on 1 July 2016 of 7.12%.
The next salary increase was assumed to take place in July 2017.

Average retirement age	65		
Mortality during employment	SA 85-90		
Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	18%	12%
	40	10%	8%
	50	4%	4%
	>55	2%	2%

Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	Liability	% change
Central assumptions		13.299	
General salary inflation	+1%	14.101	6%
	-1%	12.573	-5%
Average retirement age	-2 yrs	12.088	-9%
	+2 yrs	14.417	8%
Withdrawal rates	-50%	15.231	54%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than that shown.

History of liabilities and assets

	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017
Liability History					
Accrued Liability	15 099 497	15 818 226	15 537 619	14 013 556	13 299 467

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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20. Landfill closure provision

Reconciliation of landfill closure provision - 2017

	Opening Balance	Reduction due to re- measurement	Total
Environmental rehabilitation	49 618 678	(17 767 740)	31 850 938

Reconciliation of landfill closure provision - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	44 894 029	4 724 649	49 618 678

Provision for landfill closure

The landfill rehabilitation and closure are created for the rehabilitation and closure of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Sasolburg, Oranjeville and Deneysville landfill sites. The valuation for the landfill sites were performed by Mrs Sandra Mutangadura from One Pangaea Financial CC. Mrs Mutangadura is a professional engineer and a member of the South African Institute of Civil Engineers (SAICE).

Key financial assumptions used in this calculation were as follows:

Assumption	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
CPI	6.12%	6.12%	6.12%
Discount rate	9.42%	9.42%	9.42%
Net effective discount rate	3.11%	3.11%	3.11%

The 2017 amount of the discounted landfill closure provision of R31 884 642 represents a decrease of R17 767 740 over the provision of R49 618 678 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs.

The 2017 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2017. The size of the landfill sites used up until now and estimate remaining useful lives are as follows:

	Sasolburg landfill	Oranjeville landfill	Deneysville landfill
Approximate size used until 30 June 2017	15.135 ha	1.273 ha	5.112 ha
Remaining useful lives	3 years	16 years	8 years

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
21. Service charges		
Sale of electricity	242 998 329	208 625 631
Sale of water	241 617 363	258 841 883
Sewerage and sanitation charges	22 055 895	19 713 892
Refuse removal	28 376 375	25 954 706
	535 047 962	513 136 112
Forgone income (free portion)		
Electricity	(6 374 068)	(4 305 657)
Sewerage and sanitation	(7 983 760)	(7 418 032)
Refuse removal	(9 638 097)	(8 930 777)
Water	(25 349 662)	(10 823 581)
	(49 345 587)	(31 478 047)
22. Other income		
Billboards	376 759	446 376
Building plan fees	243 703	228 625
Cemetery fees	485 018	501 811
Clearance certificates	324 135	243 021
Entrance fees	1 022 961	1 183 310
Fire services rendered	449 307	420 626
Lost library books	1 518	2 037
Photo copies	19	106 368
Private telephone calls	238 077	241 223
Sundry income	3 953 536	386 894
Tender documents sold	180 419	720 597
Contribution COGTA	2 000 000	-
	9 275 452	4 480 888
23. Investment revenue		
Dividend revenue		
Dividends	98 858	96 022
Interest revenue		
Interest received	2 107 597	2 701 815
	2 206 455	2 797 837
24. Property rates		
Rates revenue		
Commercial	10 547 254	9 588 561
Heavy Industries	31 782 029	24 571 219
Residential	82 358 569	76 654 710
Small holdings and farms	10 123 827	9 402 652
State	11 015 323	10 114 060
Less: Income forgone	(16 846 733)	(15 885 707)
	128 980 269	114 445 495

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
24. Property rates (continued)		
Valuations		
5 year: Tax Holiday	35 763	49 237
Churches	108 010	108 325
Commercial	912 839	911 515
Heavy/light industries	937 635	918 276
Municipal	437 691	438 089
Public Benefit Organisation/Service Infrastructure	51 834	51 088
Residential	8 044 044	7 971 142
Small holdings and farms	2 974 530	2 971 355
State	687 996	685 716
Allocated, unregistered stands	228 696	257 350
	14 419 038	14 362 093

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The new general valuation will be implemented on 01 July 2018.

Rebates up to R35 000 (2016: R35 000) are granted to residential and state property owners.

Rates are levied on a monthly basis, except farmland that is levied on an annual basis. Interest at prime plus 1% per annum is levied on rates outstanding after due date for payment.

The following properties are exempted from property rates:

- Properties owned by a religious body or organisation and residential property occupied by a minister of religion in full time service of the church
- Road reserves
- Railway reserves

Tariff structure (cents per Rand)

Business	0,01590	0,01473
Industries	0,03978	0,03684
Residential	0,00794	0,00736
State-owned property	0,01590	0,01473
Farmland		
Residential	0,00397	0,00368
Business	0,00794	0,00736
Industries	0,01993	0,01845
Private owned towns, Body Corporate, Sectional Titles	0,00397	0,00368
Mining	0,01992	0,01845
Agricultural	0,00199	0,00185

25. Government grants and subsidies

Operating grants

Energy Efficiency and Demand Side Management Grant	-	3 000 000
Equitable Share	125 968 334	115 423 000
Expanded Public Works Programme Intergrated Grant	1 060 000	970 666
Financial Management Grant	1 625 000	1 600 000
Municipal Systems Improvement Grant	-	930 000
Sector Education Training Authority Grant	516 899	986 976
	129 170 233	122 910 642

Capital grants

Department of Energy Grant	16 956 125	29 000 084
Department of Water Affairs Grant	9 249 776	7 429 632

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
25. Government grants and subsidies (continued)		
Housing Development Agency	-	340 000
Municipal Infrastructure Grant	52 266 241	43 213 000
	78 472 142	79 982 716
	207 642 375	202 893 358

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	81 674 041	87 470 358
Unconditional grants received	125 968 334	115 423 000
	207 642 375	202 893 358

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

A Council Resolution was taken to use some of the grant for free basic services to residents. Equitable share is also used to allocate 6kl water, and basic sewer per month to all households. Indigent households are allocated an additional 4kl of water (only in 2015/2016), 50 kWh of electricity, additional sewer, refuse, and R50 per month on Rates.

Municipal System Improvement Grant

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.

Financial Management Grant

Current-year receipts	1 625 000	1 600 000
Conditions met - transferred to revenue	(1 625 000)	(1 600 000)
	-	-

Conditions still to be met - remain liabilities (see note 17).

The municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
25. Government grants and subsidies (continued)		
Expanded Public Works Programme Integrated Grant		
Balance unspent at beginning of year	49 334	-
Current-year receipts	1 060 000	1 020 000
Conditions met - transferred to revenue	(1 060 000)	(970 666)
Funds withheld by National Treasury	(49 334)	-
Unspent at year end	-	(49 334)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

Appointment of workers on the Extended Public Works Program. The workers continue in July 2016 and were paid with the unspent remaining grant of 30 June 2016.

Municipal Infrastructure Grant

Current-year receipts	57 623 000	43 213 000
Conditions met - transferred to revenue	(52 266 241)	(43 213 000)
	<u>5 356 759</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

Funds received for installation of infrastructure.

Department of Water Affairs Grant

Balance unspent at beginning of year	-	10 230
Current-year receipts	9 249 776	3 500 000
Conditions met - transferred to revenue	(9 249 776)	(3 510 230)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

The municipality received funds from the Department of Water Affairs for water purification.

Department of Energy Grant

Balance unspent at beginning of year	-	84
Current-year receipts	18 399 076	29 000 000
Conditions met - transferred to revenue	(16 956 125)	(29 000 084)
	<u>1 442 951</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

Installation of electricity network and connections, Amelia, in the municipality's area, financed by the Department of Energy.

Department of Co operative and Traditional Affairs

Balance unspent at beginning of year	<u>704 984</u>	<u>704 984</u>
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Conditions still to be met - remain liabilities (see note 17).

Funds received for the installation of infrastructure.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
25. Government grants and subsidies (continued)		
Sector Education Training Authority Grant		
Balance unspent at beginning of year	-	611 322
Current-year receipts	516 899	375 654
Conditions met - transferred to revenue	(516 899)	(986 976)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

The municipality received funds from Sector Education Training Authority for excellence performance by human resources division. The funds must be utilised towards training. In the previous year the process in appointing service providers to provide training was delayed.

Housing Development Agency

Current-year receipts	-	340 000
Conditions met - transferred to revenue	-	(340 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

Land was purchased and transferred into the name of the municipality in 2016 by the Housing Development Agency. The land is earmarked for the development of mainly residential stands.

Water Demand Management (Free State Province)

Balance unspent at beginning of year	79 057	-
Current-year receipts	-	3 998 459
Conditions met - transferred to revenue	-	(3 919 402)
	<u>79 057</u>	<u>79 057</u>

Conditions still to be met - remain liabilities (see note 17).

Grant from Free State Province to assist with water demand management.

Energy Efficiency and Demand Side Grant

Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(3 000 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17).

Grant from National Treasury to assist with electricity maintenance.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 53 of 2000), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
26. Public contributions and donations		
Department of Sport, Arts and Culture (Library)	1 750 750	2 000 000
Rejuvenation	6 081 666	14 727 779
Public contributions and donations	2 582 537	2 015
	10 414 953	16 729 794
Reconciliation of conditional contributions		
Current-year receipts	10 414 953	16 729 794
Conditions met - transferred to revenue	(10 414 953)	(16 729 794)
	-	-

Conditions still to be met - remain liabilities (see note 17)

The funds transferred to current year were received from the Provincial Department of Sport, Arts and Culture for the payment of salaries for library staff. The following were donated in the 2016/2017 financial year: Computers were donated by SASOL to Financial Services (R 88 175). Two mobile maintenance units were donated by SASOL to Technical Services R 1 413 271). A new financial system was sponsored by SASOL (R 4 974 855). A creche in Refengkgotso was donated by Mission Point Trading 41 Pty (Ltd) and S.Bothma & son transport Pty (Ltd) (R2 187 901).

The following were donated in the 2015/2016 financial year: A printer was donated by Millennium Pumps Pty (Ltd) to Technical Services (R1 314). Electrical network installed in Chem City (R 8 104 389) and Naledi (R 5 071 957) by SASOL Rejuvenation. Electricity installed in Zamdela Extension 17 (R 1 551 434) by MDV Developments. Land to the value for R 700 donated by private developers.

27. Employee related costs

Basic	140 394 437	134 760 764
13th Cheques and other bonuses	11 268 350	10 021 761
Contribution post retirement	1 343 121	1 369 378
Defined contribution plans	23 253 762	22 784 069
Group Insurance	216 260	199 941
Housing benefits and allowances	1 095 215	974 329
Industrial council levy contributions	70 395	56 724
Leave pay accrual	2 506 604	1 497 640
Leave pay provision	1 860 491	2 991 946
Long-service awards	1 516 060	442 557
Medical aid - company contributions	16 027 543	13 855 637
Overtime payments	15 032 871	13 038 301
Standby allowance	3 046 334	2 449 676
Transport allowance	15 040 854	16 070 510
UIF	1 262 218	1 171 950
Other	1 027 556	2 400
	234 962 071	221 687 583

Remuneration of S M Molala - Municipal Manager

Annual remuneration	1 674 635	1 579 846
Car allowance	240 000	240 000
Performance bonuses	-	80 130
Contributions to UIF, medical and pension funds	1 785	-
Travel, motor car, accommodations, subsistence and other allowances	2 396	3 679
Telephone allowance	36 000	36 000
	1 954 816	1 939 655

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
27. Employee related costs (continued)		
Remuneration of A Lambat - Chief Financial Officer		
Annual remuneration	1 781 362	1 680 531
Car allowance	24 000	24 000
Performance bonuses	-	68 926
Contributions to UIF, medical and pension funds	1 785	-
Travel, motor car, accommodations, subsistence and other allowances	8 482	4 897
Telephone allowance	30 000	30 000
	1 845 629	1 808 354
Remuneration of I S Mokgatle - Director Technical Service and Infrastructural Services		
Annual remuneration	1 049 149	989 763
Car allowance	409 290	409 291
Contributions to UIF, medical and pension funds	1 785	-
Telephone allowance	30 000	30 000
	1 490 224	1 429 054
Remuneration of M L M Maseola - Director Organisational Development and Corporate Services		
Annual remuneration	1 289 402	1 216 417
Car allowance	120 000	120 000
Performance bonuses	-	64 104
Contributions to UIF, medical and pension funds	1 785	-
Housing subsidy	120 000	120 000
Telephone allowance	30 000	30 000
Other	-	5 614
	1 561 187	1 556 135
Remuneration of S J Lempe - Director Social Services		
Annual remuneration	1 206 064	1 137 797
Car allowance	190 000	190 000
Performance bonuses	-	64 104
Contributions to UIF, medical and pension funds	1 785	-
Housing subsidy	120 000	120 000
Transport claims	2 702	335
Telephone allowance	30 000	30 000
Acting allowance as Municipal Manager	13 870	19 450
	1 564 421	1 561 686

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	2017 R	2016 R
27. Employee related costs (continued)		
Remuneration of S J Monyaki - Director Economic Development		
Annual remuneration	1 138 012	1 073 597
Car allowance	270 000	270 000
Performance Bonuses	-	64 104
Contributions to UIF, medical and pension funds	1 785	-
Housing subsidy	100 000	100 000
Transport claims	8 766	3 166
Telephone allowance	30 000	30 000
Acting allowance as Municipal Manager	53 662	24 300
	1 602 225	1 565 167
 Total Employee related cost	 244 980 573	 231 547 634

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
28. Remuneration of Councillors		
Executive Mayor	793 561	807 929
Council Whip	596 338	570 843
Mayoral Committee Members	4 758 856	4 889 311
Speaker	640 449	650 514
Councillors	8 967 929	8 328 336
	15 757 133	15 246 933

Remuneration per councillor

Executive Mayor

Mahlaku BT (till 9 August 2016)	87 569	807 929
Hlasa R S (since 22 August 2016)	705 992	-

Council Whip

Soetsang TL (Till 31 October 2015)	-	205 146
Makhoba KJ (Council Whip from 25 November 2015)	65 806	365 696
Radebe LW (Council Whip since 22 August 2016)	530 532	-

Mayoral Committee Members

Khonto MW (till 9 August 2016)	65 806	611 164
Kubheka NJ (till 9 August 2016)	65 806	611 164
Mabasa KT (till 9 August 2016 and 23 February 2017 to 30 June 2017)	279 981	611 164
Mabefu RJ (till 9 August 2016)	65 806	611 164
Makhoba KJ (Council Whip from 25 November 2015)	-	245 467
Radebe AN (till 9 August 2016)	65 806	611 164
Semonyo LS (till 9 August 2016)	65 806	611 164
Tshongwe SL (till 9 August 2016)	65 806	611 164
Mtshali NM (MAYCO member 25 November 2015 till 9 August 2016 and 4 March 2017 to 30 June 2017)	265 675	365 696
Mofokeng TH (22 August 2016 to 22 February 2017)	314 314	-
Mothibe MB (22 August 2016 to 22 February 2017)	314 314	-
Mohapi P (22 August 2016 to 22 February 2017)	314 314	-
Gaigher L (22 August 2016 to 22 February 2017)	314 314	-
Mothale SM (22 August 2016 to 22 February 2017)	314 314	-
Grobbelaar JJ (22 August 2016 to 22 February 2017)	314 314	-
Mthembu S (22 August 2016 to 30 June 2017)	530 532	-
Burger GS (from 10 August 2016 MAYCO member 22 August 2016 to 3 March 2017)	331 072	-
Mosia TE (23 February 2017 to 30 June 2017)	214 175	-
Mosokweni F (23 February 2017 to 30 June 2017)	214 175	-
Fisher L 23 February 2017 to 30 June 2017)	214 175	-
Mokoena NP (23 February 2017 to 30 June 2017)	214 175	-
Radebe TL (23 February 2017 to 30 June 2017)	214 175	-

Speaker

Matena SZ (Speaker till 9 August 2016)	70 673	650 515
Du Plooy (Speaker since 22 August 2016)	569 776	-

Councillors

Chebase LR (till 9 August 2016)	28 881	255 306
Coetzer FC (till 9 August 2016)	28 881	258 104
Du Plessis J (till 9 August 2016)	28 881	258 104
Du Toit T	270 331	258 104
Geyser JJ	270 331	258 104
Grobbelaar JJ (MAYCO member 22 August 2016 to 22 February 2017)	131 488	258 104
Khonto MW (MAYCO member till 9 August 2016 resigned as Councillor 8 December 2016)	89 871	-
Kubheka NJ (MAYCO member Committee till 9 August 2016)	241 450	-
Khunou SB (till 9 August 2016)	28 881	258 104
Lelahla JM (till 9 August 2016)	28 881	258 104

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
28. Remuneration of Councillors (continued)		
Mabasa KT(MAYCO member till 9 August 2016 and from 23 February 2017 to 30 June 2017)	146 556	-
Machafa MF (till 9 August 2016)	28 881	258 104
Mahlangu PJ (till 9 August 2016)	28 881	258 104
Mare AK	270 331	258 104
Maseko VJ (till 9 August 2016)	28 881	258 104
Mdola NL (till 9 August 2016)	28 881	258 104
Nnune MS	270 331	258 104
Mofokeng SS (till 9 August 2016)	28 881	258 104
Mofokeng TJ (till 9 August 2016)	28 881	258 104
Mokoena DE (till 9 August 2016)	28 881	258 104
Moolman HJ (till 9 August 2016)	28 881	258 104
Moreki S (till 9 August 2016)	28 881	258 104
Mosia MM (till 9 August 2016)	28 881	258 104
Mosia TE (Chairperson MPAC till 9 August 2016 and MAYCO member from 23 February 2017 to 30 June 2017)	210 503	571 810
Mtshali NM (MAYCO member 25 November 2015 till 9 August 2016 and from 4 March 2017 to 30 June 2017)	154 987	103 665
Nthebe MD (till 9 August 2016)	28 881	258 104
Ntoane MG (till 9 August 2016)	28 881	258 104
Oswald DM (till 9 August 2016)	28 881	258 104
Poho MS (till 9 August 2016)	28 881	258 104
Rampala AM (till 9 August 2016)	28 881	258 104
Sejaki MN (till 9 August 2016)	28 881	258 104
Soetsang TL (Council Whip till 31 October 2015; (till 9 August 2016)	28 881	170 643
Tamane MA (till 9 August 2016)	28 881	258 104
Van der Walt MC (till 9 August 2016)	28 881	258 104
Viljoen JD	270 331	258 104
Mahlaku BT (Executive Mayor till 3 August 2017)	241 450	-
Hlasa R S (Executive Mayor since 22 August 2016)	8 610	-
Radebe LW (Council Whip since 22 August 2016)	8 610	-
Matena SZ (Speaker till 3 August 2016)	241 450	-
Du Plooy (Speaker since 22 August 2016)	8 610	-
Burger GS (from 10 August 2016 MAYCO member 22 August 2016 to 3 March 2017)	97 405	-
Dywili NN (from 10 August 2016)	241 450	-
Fisher L (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146 556	-
Gaigher L (from 10 August 2016 and MAYCO member 22 August 2016 to 22 February 2017)	102 607	-
Gouws EJ (from 10 August 2016)	241 450	-
Kobo SS (from 10 August 2016)	241 450	-
Madia RM (from 10 August 2016)	241 450	-
Majadibodu KC (from 10 August 2016)	241 450	-
Makhata L (from 10 August 2016)	241 450	-
Makhefu L (from 1 February 2017)	112 115	-
Mofokeng D (from 10 August 2016)	241 450	-
Mokoena MP (from 10 August 2016)	241 450	-
Mokoena NP (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146 556	-
Mohapi P (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017)	102 607	-
Molawa M (from 10 August 2016)	241 450	-
Motaung TA (from 10 August 2016) MPAC chairperson from 28 September 2016	491 654	-
Mofokeng TH (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017)	102 607	-
Mosokweni F (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146 556	-

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

	2017 R	2016 R
28. Remuneration of Councillors (continued)		
Motlhale SM (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017)	102 607	-
Mothibe MB (from 10 August 2016 MAYCO member 22 August 2016 to 22 February 2017 ;Resigned February 2017)	8 610	-
Motjeane S (from 10 August 2016) Ethics chairperson from 28 September 2016)	491 654	-
Mthembu S (from 10 August 2016 MAYCO member 22 August 2016 to 30 June 2017)	8 610	-
November N (from 10 August 2016)	241 450	-
Nteso SJ (from 10 August 2016)	241 450	-
Radebe TL (from 10 August 2016; MAYCO member from 23 February 2017 to 30 June 2017)	146 556	-
Telane MM (from 10 August 2016)	241 450	-
Tsotetsi L (from 10 August 2016)	241 450	-
Zwane ZJ (from 23 February 2017)	93 996	-
	15 757 133	15 246 933
The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in Section 219 of the Constitution.		
29. Depreciation and amortisation		
Intangible assets	197 962	127 551
Investment property	25 791	25 791
Property, plant and equipment	55 983 569	42 777 074
	56 207 322	42 930 416
30. Finance costs		
Finance leases	1 243 172	43 910
Current borrowings	475 475	579 416
Other interest paid	1 456 772	368 041
	3 175 419	991 367
31. Debt impairment		
Contributions to debt impairment provision	141 774 023	127 167 185
Receivables from exchange transactions	119 898 962	91 916 543
Receivables from non-exchange transactions	21 875 061	35 799 878
	141 774 023	127 716 421
32. Bulk purchases		
Electricity	202 158 748	187 906 291
Water	122 706 945	129 932 071
	324 865 693	317 838 362

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

				2017 R	2016 R
32. Bulk purchases (continued)					
2017	Total sales (units)	Less total purchases (units)	(Loss)/gain (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	203 883 464	212 558 246	(8 674 782)	(4)%	6 741 619
Water	13 352 412	18 188 555	(4 836 143)	(27)%	36 578 138
	217 235 876	230 746 801	(13 510 925)		43 319 757
2016	Total sales (units)	Less total purchases (units)	(Loss)/gain (units)	% loss on purchases	Rand value of loss at purchase price
Electricity	207 819 924	215 018 959	(7 199 035)	(3)%	5 597 825
Water	16 926 683	20 197 587	(3 270 901)	(16)%	22 108 523
	224 746 607	235 216 546	(10 469 936)		27 706 348

Unaccounted consumption can be a result of:

- Distributions losses;
- Internal use that is not metered and not read;
- Illegal connections and theft.
- Supply to informal areas that have not yet been formalised.

33. Contracted services

Specialist services	14 220 430	14 291 285
Other Contractors	17 163 609	16 684 891
	31 384 039	30 976 176
Specialist services		
Security services	14 220 430	14 291 285
Other Contractors		
Cash security	354 258	336 834
Cleaning services	2 631 265	2 198 364
Delivery of summonses/traffic fines	1 501 971	1 777 436
Disconnection and re-connection of services	1 309 619	531 190
Easy pay commission	914 246	668 968
Electricity pre-paid service	7 573 791	7 197 983
Printing services	2 878 459	3 974 116
	17 163 609	16 684 891

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
34. General expenses		
Advertising	821 794	896 179
Auditors remuneration	6 326 106	4 741 151
Bank charges	466 655	339 111
Bursaries	185 239	2 610 763
Cleaning	304 223	159 715
Computer expenses	5 035 014	4 673 736
Conferences and seminars	857 101	1 163 943
Connection charges	1 116 928	92 157
Consulting and professional fees	16 188 768	19 105 503
Entertainment	135 840	355 975
Fuel and oil	5 665 167	5 687 522
Insurance	2 437 481	1 764 831
Magazines, books and periodicals	40 308	27 090
Marketing	66 000	476 370
Medical expenses	73 350	53 223
Other expenses	599 838	1 365 819
Pest control	43 244	22 518
Postage and courier	1 667 763	1 708 987
Printing and stationery	519 507	672 992
Promotions	7 660	9 974
Public programmes	886 544	4 075 163
Rental of equipment	5 930 446	5 602 428
Royalties and license fees	379 801	361 693
Seed, trees, shrubs and topdressing	-	1 171
Sewer treatment	16 800 035	14 963 955
Skill Development Levy	2 001 366	1 895 793
Stocks and materials	1 103 617	3 963 886
Subscriptions and membership fees	2 365 318	2 325 868
Telephone	2 254 651	2 112 886
Title deed search fees and valuation cost	111 884	250 442
Training	1 456 180	1 392 475
Training LG SETA	-	111 924
Travel - local	706 556	1 246 774
Uniforms	1 228 637	921 752
	77 783 021	85 153 769

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
35. Cash generated from operations		
Surplus	54 103 465	36 078 173
Adjustments for:		
Depreciation and amortisation	56 207 322	42 930 416
Loss/(gain) on sale of inventory	19 020	(409 049)
Fair value adjustment on stands	-	(6 491 043)
Loss/(gain) on inventory stands	471 000	-
Fair value adjustments	(1 419 971)	(4 185 156)
Loss on the write off/transfer of property, plant and equipment	1 190 807	231 524
Fair value shares	(204 724)	275 732
Housing Development Agency - land	-	(340 000)
PPE and intangible assets donated	(8 664 203)	(14 730 494)
Debt impairment	141 774 023	127 167 185
Movements in operating lease assets and accruals	456 244	683 858
Movements in retirement benefit assets and liabilities	2 859 181	1 811 935
Movements in land fill closure provisions	(17 767 740)	4 724 649
Current leave and bonus accrual	10 767 579	2 991 947
Changes in working capital:		
Inventories	(232 437)	(27 401)
Receivables from non - exchange transactions	(32 106 428)	(36 219 574)
Receivables from exchange transactions	(127 561 176)	(114 249 540)
Payables from exchange transactions	(3 374 019)	30 248 235
VAT	(4 744 362)	5 486 411
Unspent conditional grants and receipts	6 750 376	(493 245)
Consumer deposits	1 432 203	1 781 137
	79 956 160	77 265 700

36. Financial instruments disclosure

Categories of financial instruments

2017

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	2 987 863	-	2 987 863
Other financial assets - Investment	-	30 641	30 641
Receivables from non - exchange transactions	-	73 714 833	73 714 833
Consumer debtors	-	155 586 040	155 586 040
Cash and cash equivalents	-	12 627 595	12 627 595
	2 987 863	241 959 109	244 946 972

Financial liabilities

	At amortised cost	Total
Finance lease obligation	2 727 836	2 727 836
Payables from exchange transactions	221 585 738	221 585 738
Consumer deposits	19 459 196	19 459 196
Unspent conditional grants	7 583 751	7 583 751
Short term portion - long term loan	1 379 692	1 379 692
Long term loan	3 136 825	3 136 825
	255 873 038	255 873 038

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R	
. Financial instruments disclosure (continued)			
2016			
Financial assets			
	At fair value	At amortised cost	Total
Receivables from non - exchange transactions	-	63 483 471	63 483 471
Consumer debtors	-	147 923 826	147 923 826
Cash and cash equivalents	-	15 178 853	15 178 853
Other financial assets	2 783 139	-	2 783 139
Other financial assets - Unit Trust	1 303 696	-	1 303 696
Other financial assets - Investment	-	30 641	30 641
	<u>4 086 835</u>	<u>226 616 791</u>	<u>230 703 626</u>
Financial liabilities			
		At amortised cost	Total
Payables from exchange transactions		214 192 180	214 192 180
Short term portion - long term loan		1 267 234	1 267 234
Long term loan		4 516 517	4 516 517
Consumer deposits		18 026 993	18 026 993
Unspent conditional grant		833 375	833 375
Finance lease obligation		9 230 215	9 230 215
		<u>248 066 514</u>	<u>248 066 514</u>
37. Commitments			
Authorised capital expenditure			
Already contracted for but not provided for			
• Property, plant and equipment		<u>176 899 123</u>	<u>95 240 654</u>
Total capital commitments			
Already contracted for but not provided for		<u>176 899 123</u>	<u>95 240 654</u>
Authorised operational expenditure			
Already contracted for but not provided for			
• Expenditure		<u>10 139 675</u>	<u>33 565 881</u>
Total operational commitments			
Already contracted for but not provided for		<u>10 139 675</u>	<u>33 565 881</u>
Total commitments			
Total commitments			
Authorised capital expenditure		176 899 123	95 240 654
Authorised operational expenditure		10 139 675	33 565 881
		<u>187 038 798</u>	<u>128 806 535</u>

This committed expenditure relates to contracts and will be financed by available bank facilities, accumulated surpluses, existing cash resources and funds internally generated.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
38. Contingencies		
Housing loans		
Guarantees for housing loans to employees at financial institutions	30 161	30 161
Leabea and Associates (Employee related matters)		
Roux JJ (re-instatement)	-	3 000 000
Klauman - Moller (re-instatement)	-	4 000 000
Kriel HJ (re-instatement)	-	3 000 000
Various attorneys		
Ukwazi Force CC / Metsimaholo Municipality	6 500 000	-
Nkadimeng & Mofokeng / Metsimaholo Municipality	100 000	-
Steven Murray & Associates	41 034	-
SAMRO NPC / Metsimaholo Municipality	714 957	-
Edge Forensic and Risk Consultants / Metsimaholo Municipality	1 899 704	-
Dreyer Albertus JP /Metsimaholo Municipality	571 300	-
J M Fusstenburg / Metsimaholo Municipality	16 520	-
A.G.A Transport Co (Pty)Ltd	45 435	-
C van Wynsgaard/Metsimaholo Municipality	9 124	-
Ndobela Attorneys		
Labour Matters	-	180 000
Metsimaholo Municipality / Human CW	-	44 474
Heading		
Mkwanazi Melato Inc		
Metsimaholo Municipality / I A van der Walt	47 265	47 265
Metsimaholo Municipality / A Maredi	-	27 256
Metsimaholo Municipality / J Schoultz	58 365	58 365
Metsimaholo Municipality / S Maboe	-	190 000
Metsimaholo Municipality / Mpembe	-	44 377
Metsimaholo Municipality / Mohlakane	-	57 816
Metsimaholo Municipality / Manoto	-	65 159
Metsimaholo Municipality / Elite Tent	-	68 578
Metsimaholo Municipality / Mbongo	-	46 950
Metsimaholo Municipality / Saaiman R	100 000	100 000
Metsimaholo Municipality / Fouche Quinton	13 930	18 000
Metsimaholo Municipality / Vaal Panelbeaters	-	35 000
Ponoane Attorneys		
L Lehani / Metsimaholo Local Municipality (settled in 2014/2015)	233 368	233 368
Erwee Andries / Metsimaholo Local Municipality	38 645	38 645
Adolff Attorneys		
Metsimaholo Municipality / Van der Vyver C	13 186	13 186
Metsimaholo Municipality / Van Zyl J	12 135	12 135
Metsimaholo Municipality / Calitz ACJ	11 182	111 182
Internal Legal Division		
Ward PD / Metsimaholo Local Municipality	-	3 686
Rhani DV / Metsimaholo Local Municipality	-	4 515
Vosloo A / Metsimaholo Local Municipality	-	1 443
Aztek Furnance and MEC SUP CC / Metsimaholo Local Municipality	-	38 399
Le Roux JM / Metsimaholo Local Municipality	12 937	18 937
Loots SJH / Metsimaholo Local Municipality	-	35 000
Trauernicht M / Metsimaholo Local Municipality	-	16 184
Mokoena L / Metsimaholo Local Municipality	-	12 639
Mokoena L / Metsimaholo Local Municipality	-	4 321
Coertze J / Metsimaholo Local Municipality	-	15 929
Pretorius IEM / Metsimaholo Local Municipality	-	2 835
Pretorius IEM / Metsimaholo Local Municipality	-	75 000
IMATU obo Van Rooyen F Labour dispute	-	75 000
	10 469 248	11 725 805

Unlicensed landfill site

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R	2016 R
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38. Contingencies (continued)

The municipality managed three landfill sites without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community

39. Related parties

Relationships

Phepheng Lelahla JM
Nthebe MD
Maseko VJ
Grobbelaar JJ

Soetsang T L
Mofokeng TJ

Mosia TE
Mahlangu PJ
Radebe AN
Makhoba KJ
Du Plessis J
Viljoen JD
Mabefu RJ
Mosokweni F
Molala SM
Maseola M

Monyaki SJ

Lambat A

Grey Construction (Civil & Mechanical)
Alaska One Enterprise (Pty) Ltd
Living Fountains (Church)
In his footprints (Non-profitable Charity organisation)
Tuso Hunges (Non-profitable Charity organisation)
Nyakaza Mfazi Primary co-operative limited
Asazi funeral parlour
Asazi Inn
Soxi Electronics and IT Centre
Kgutlo Thako Funeral Services
Maitshokolla Cooperative
Paballo Ya Bomme
SanJohan private trust (trustee)
Principal of Vaalpark Primary School
Directorship: Skyho Sands
Sibusisiwe (Pty) (Ltd) Construction
Afriscapes CC (Capacity building)
Khumase CC (Construction and transport)
Wealthpros(General Trading)
Raleoa Trading cc (Tourism retail)
Bold Moves 198 Pty (Ltd) (Properties, tourism, retail)
New Redruth Motors CC
Roshgold Investment Holdings Limited
Roshgold Technologies Limited
Roshgold Ventures Limited
Roshmeadow Properties Limited
Top Share Equities (Pty) Ltd
Directorship: Albaraka Bank Limited
Refer to note 19
Refer to note 27
Refer to note 28

Post employment benefit plan for employees
Members of key management
Executive Council Members

40. Prior period errors

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

40. Prior period errors (continued)

Statement of financial performance	Balance as previously reported	Prior period error	Reclassified (note 42)	Total
Revenue				
Service charges	513 136 112	-	-	513 136 112
Levies refuse dump yard	825 555	-	-	825 555
Rental of facilities and equipment	4 641 920	-	-	4 641 920
Interest received - trading	16 449 002	-	-	16 449 002
Interest received - investments	2 701 815	-	-	2 701 815
Dividends	96 022	-	-	96 022
Non- payment fees	5 202 473	-	-	5 202 473
Licence and permits	159 061	-	-	159 061
Fines	18 506 723	(832 175)	-	17 674 548
Connection fees	2 338 908	-	-	2 338 908
Property rates	114 445 495	-	-	114 445 495
Government grants and subsidies	202 893 358	-	-	202 893 358
Public contributions and donations	16 729 794	-	-	16 729 794
Other income	4 480 888	-	-	4 480 888
Income legal cost	4 464 527	-	-	4 464 527
	907 071 653	(832 175)	-	906 239 478
Expenses				
Employee related cost	(230 381 663)	(1 165 971)	-	(231 547 634)
Remuneration of councillors	(15 246 933)	-	-	(15 246 933)
Depreciation and amortisation	(42 930 416)	-	-	(42 930 416)
Debt Impairment	(127 716 421)	549 236	-	(127 167 185)
Finance cost	(991 347)	(20)	-	(991 367)
Repairs and maintenance	(18 941 729)	(1 508 418)	-	(20 450 147)
Bulk purchases	(317 736 666)	(101 696)	-	(317 838 362)
Contracted services	(30 976 176)	-	-	(30 976 176)
General expenses	(91 592 672)	1 714 254	4 724 649	(85 153 769)
Operating Lease	(3 712 648)	-	-	(3 712 648)
Rehabilitation of landfill sites	-	-	(4 724 649)	(4 724 649)
	(880 226 671)	(512 615)	-	(880 739 286)
Gain/loss on disposal of assets	(1 657 070)	-	-	(1 657 070)
Fair value adjustments on stands	6 491 043	-	-	6 491 043
Actuarial gain / (loss)	4 185 156	-	-	4 185 156
Sale of stands (Loss on sale)	1 425 535	-	-	1 425 535
Gain on inventory	409 049	-	-	409 049
Fair value of listed equities	(275 732)	-	-	(275 732)
	10 577 981	-	-	10 577 981
Statement of financial position				
Current assets				
Inventory	15 318 465	-	-	15 318 465
Receivables from exchange transactions	147 954 077	(30 251)	-	147 923 826
Receivables from non-exchange transactions	64 171 138	(687 666)	-	63 483 472
Cash and cash equivalents	14 345 478	-	833 375	15 178 853
Other financial assets	4 950 851	-	(833 375)	4 117 476
	246 740 009	(717 917)	-	246 022 092

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

40. Prior period errors (continued)

Non-current assets

Investment property	86 389 336	-	-	86 389 336
Property, plant and equipment	1 147 458 435	-	-	1 147 458 435
Intangible assets	317 626	-	-	317 626
Heritage assets	561 001	-	-	561 001
	1 234 726 398	-	-	1 234 726 398

Current liabilities

Operating lease liabilities	1 883 504	-	-	1 883 504
Finance lease liability	1 375 608	-	-	1 375 608
Payables from exchange transactions	214 673 543	(481 363)	-	214 192 180
VAT payable	10 915 968	-	-	10 915 968
Consumer deposits	18 026 993	-	-	18 026 993
Unspent conditional grants	833 375	-	-	833 375
Short term portion -Long term loan	1 267 234	-	-	1 267 234
	248 976 225	(481 363)	-	248 494 862

Non-current liabilities

Long term loan	4 516 517	-	-	4 516 517
Finance lease obligation	7 854 607	-	-	7 854 607
Employee benefit obligations	39 153 834	-	-	39 153 834
Landfill closure provision	49 618 678	-	-	49 618 678
	101 143 636	-	-	101 143 636

Net assets

Accumulated surplus - opening balance	1 093 923 583	1 108 235	-	1 095 031 818
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1. Expenses not accrued in prior years

Some general expenses finance cost and repairs and maintenance were incorrectly accrued in 2014/2015 and 2015/2016 years. These have been corrected and the 2014/2015 amounts restated accordingly.

Statement of financial position

Adjustment against the opening accumulated surplus 1 July 2015	-	(489 735)
Decrease in payables	-	1 129 399
Decrease in receivables from non - exchange transactions	-	(433 848)
	-	205 816

Statement of financial performance

Decrease in general expenditure	-	(1 714 254)
Increase in repairs and maintenance	-	1 508 418
Increase in finance cost	-	20
	-	(205 816)

2. Revenue unallocated in the prior years

Write off votes of sundry income prior 2014/2015 year. These have been corrected and the 2014/2015 amounts restated accordingly.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Notes to the Annual Financial Statements

Figures in Rand

40. Prior period errors (continued)

Statement of financial position

Adjustment against the opening accumulated surplus 1 July 2015	-	(670 596)
Decrease in payables from exchange transactions	-	670 596
	<u>-</u>	<u>-</u>

3. Adjustment of traffic fine and impairment for 2015/2016 year.

Traffic fines debtors were corrected in 2015/2016 financial year. These have been corrected and restated in 2015/2016 year accordingly.

Statement of financial position

Decrease in receivables from non - exchange transactions	-	(282 939)
	<u>-</u>	<u>-</u>

Statement of financial performance

Decrease of traffic fines	-	832 175
Decrease in provision for bad debts	-	(549 236)
	<u>-</u>	<u>282 939</u>

4. Adjustment of employee cost

Salaries adjustments and provision for payment to Commissioner were made for the 2015/2016 year and prior 2014/2015. These have been corrected and restated accordingly.

Statement of financial position

Adjustment against the opening accumulated surplus 1 July 2015	-	10 390
Increase in payables	-	(1 205 481)
Increase in receivables from non exchange transactions	-	29 121
	<u>-</u>	<u>(1 165 970)</u>

Statement of financial performance

Increase in employee cost	-	1 165 970
	<u>-</u>	<u>-</u>

5. Bulk purchase correction

Bulk purchase have been corrected for 2015/2016 year and prior 2014/2015 year. These have been corrected and the years have been restated accordingly.

Statement of financial position

Adjustment against the opening accumulated surplus 1 July 2015	-	11 455
Increase in payables	-	(113 150)
	<u>-</u>	<u>(101 695)</u>

Statement of financial performance

Increase in Bulk purchase	-	101 695
	<u>-</u>	<u>-</u>

6. Service charges adjusted

It was identified that electricity billing be adjusted in 2014/2015 financial year. These have been corrected and the 2014/2015 electricity debtor restated accordingly.

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40. Prior period errors (continued)

Statement of financial position

Adjustment against the opening accumulated surplus 1 July 2015

Decrease in receivables from exchange transactions

-	30 250
-	(30 250)
-	-

41. Change in estimate

Property, plant and equipment

No changes in 2016/2017 financial year that related to previous years.

42. Comparative figures

Certain comparative figures have been reclassified.

Investments were re-classified from other financial assets to cash and cash equivalents.

Rehabilitation cost for landfill sites have been re-classified from general expenditure to a separate disclosure on the Statement of Performance]

The effects of the reclassification are set out in note 40.

Statement of financial position - extract

	Comparative figures previously reported	Reclassification	After reclassification
Other financial assets	4 950 851	(833 375)	4 117 476
Cash and cash equivalents	14 345 478	833 375	15 178 853
Total	19 296 329	-	19 296 329

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
General expenditure (Provision for rehabilitation of landfill sites)	(89 878 418)	4 724 649	(85 153 769)
Rehabilitation of landfill sites	-	(4 724 649)	(4 724 649)
Total	(89 878 418)	-	(89 878 418)

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43. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (cash flow interest rate risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	19 459 196	-	-	-
Finance lease obligation	2 727 836	-	9 637 580	-
Payables from exchange transactions	221 585 738	-	-	-
Other financial liabilities	1 379 692	-	3 136 825	-
At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	18 026 993	-	-	-
Finance lease obligation	1 375 608	-	7 854 607	-
Other financial liabilities	1 267 234	-	4 516 517	-
Payables from exchange transactions	214 192 180	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Receivables from exchange transactions	155 586 040	147 923 826
Receivables from non-exchange transactions	73 714 833	63 483 471
Cash and cash equivalents	12 627 595	15 178 853
Other financial assets - short term	3 018 504	4 117 476

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

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43. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position at fair value.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

44. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had an accumulated surplus of R 1 185 213 453 (2016: R 1 131,692 151) and that the municipality's total assets exceeded its liabilities by R 1 185 213 453 (2016: R1,131,692,151). Current liabilities exceeded current assets by R 1 239 713 (2016 Current Liabilities exceed current assets by R 1 890 611).

The municipality has experienced some financial difficulties, as indicated below:

- not all suppliers were not paid within the legislative 30 days
- The gross debtors book has grown from R 839 535 116 to R 985 682 805 at June 2017. The debt impairment provision has increased for the year by R 124 137 723 compared to R98 406 721 for the previous year. This is indicative of challenges in reducing the debtors book, requiring more stringent debt collection measures.;
- The average payment level for the year was 78.9% compared to a budgeted collection level of 82
- The municipality also faced challenges in meeting the minimum maintenance of Property Plant and Equipment as prescribed by National Treasury

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is the continued funding of capital expenditure through MIG, increased allocations of equitable share, including revenue enhancement and cost cutting and cost containment measures.

45. Events after the reporting date

The Executive Council of the Free State has, in terms of Section 139(4) of the Constitution dissolved the Metsimaholo Municipal Council with effect from 1 July 2017. The Administrator was appointed and has since assumed the functions of the municipal council till the new council is declared elected. It is anticipated that by-elections will be held within a period of 90 days as prescribed by section 25 of the Municipal Structures Act, 1998 unless the Independent Electoral Commission (IEC) is permitted by the Electoral Court to hold such elections outside the prescribed period.

No events took place after the reporting date.

46. Unauthorised expenditure

Opening balance	19 380 908	77 901 967
Incurred during the current year	-	19 367 544
Condoned by Council November 2015	-	(25 983 230)
Condoned by Council May 2016	-	(51 905 373)
	19 380 908	19 380 908

Nothing noted for 2016/2017 financial year.

Details of unauthorised expenditure - prior year

Financial services	-	19 367 544
Budget: R38 011 420		
Actual expenditure: R57 378 964		

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47. Fruitless and wasteful expenditure

Opening balance	2 890 282	12 747 980
Incurred in the current year	900 027	158 840
Written off Council meeting October 2015	-	(6 225 775)
Written off Council November 2015	-	(3 790 763)
	3 790 309	2 890 282

Analysis of expenditure

Telkom- payment of telephone accounts. Interest charged on the late payment of accounts	11 089	18 233
Sheriff Sasolburg - payment of interest	97 069	2 288
Compensation Commissioner	82 231	-
Auditor General - interest on late payment	161 554	5 932
Rand Water - interest on the late payment of water account	238 242	5
ESKOM - interest paid on the late payments of electricity accounts	285 670	121 959
Free State Provincial Government - late payment of licence fees	18 973	7 301
Standard Bank Financing - interest on late payment	4 624	-
SAICE - interest on late payment	-	361
SARS late submission of EMP501	-	1 654
SARS late submission of EMP501	-	1 107
SARS -interest on VAT	575	-
	900 027	158 840

48. Irregular expenditure

Opening balance	227 253 976	228 943 576
Add: Irregular expenditure - current year	12 647 120	25 703 162
Less: Amounts written off Council Resolution June 2016	-	(27 392 762)
	239 901 096	227 253 976

Analysis of expenditure awaiting condonation per age classification

Unauthorised sole supplier	-	3 623 241
Tax clearance not submitted	-	335 119
Supplier not on the accredited prospective providers list and the listing requirements not met	-	165 866
Supplier did not submit declarations of interest	-	42 560
Not submitting the minimum quotations for acquiring goods and services	-	480 308
No supporting documentation (payment vouchers and/or tender documentation)	-	4 657
Other	12 647 120	-
Contract / SLA expired ie exceeds three years, no valid approval for extension	-	3 456 685
Competitive bidding process not followed	-	14 728 438
Bid specifications did not specify the minimum threshold for local production and content as required by PPR9	-	2 866 288
	12 647 120	25 703 162

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49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

Current year subscription / fee	2 726 900	2 300 000
Amount paid - current year	(2 726 900)	(2 300 000)
	<u>-</u>	<u>-</u>

Audit fees

Current year fee (VAT inclusive)	7 373 315	4 741 151
Amount paid - current year	(5 906 324)	(4 741 151)
	<u>1 466 991</u>	<u>-</u>

PAYE and UIF

Current year subscription / fee	38 049 143	33 626 558
Amount paid - current year	(38 049 143)	(33 626 558)
	<u>-</u>	<u>-</u>

Pension and medical aid deductions

Current year subscription / fee	60 292 927	58 741 181
Amount paid - current year	(60 292 927)	(58 741 181)
	<u>-</u>	<u>-</u>

VAT

Value added tax payable	<u>6 171 606</u>	<u>10 915 968</u>
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The nett VAT output payable and VAT input receivable is shown in note 15.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding more than 90 days R	Total R
Dywilli N (Acc no 108921 and 562734)	7 887	7 887
Fisher L (Acc no 554069 and 580028)	12 920	12 920
Hlasa S (Acc no 6012058)	58 116	58 116
Mohapi P (Acc no 569717)	2 220	2 220
Madia R (Acc no 570682)	500	500
Makhata L (Acc no 569911)	422	422
Mofokeng D (Acc no 536668 and 593307)	9 228	9 228
Mokoena NP (Acc no 565105 and 791179)	12 294	12 294
Molawa M (Acc no 106880 and 564125)	3 075	3 075
Motlhale S (Acc no 12921)	2 022	2 022
Mokoena MP (Acc no 553206 and 568419)	4 706	4 706
Mosokweni FD (Acc no 108066 and 830353)	28 895	28 895
Motaung TA (Acc no 537934, 574795 and 595856)	7 732	7 732
Motjeane SM (Acc no 106180 and 562151)	22 666	22 666
Mtshali NM (Acc no 562315)	30 498	30 498

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49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Kobo SS (Acc no 526816 and 830352)	11 534	11 534
Nteso JR (Acc no 103104)	81 044	81 044
Radebe TL (Acc no 567293)	17 267	17 267
November N (Acc no 511459)	126 180	126 180
Telane MM (Acc no 512521 and 566245)	29 180	29 180
Tsotetsi L (Acc no 511192)	24 444	24 444
	492 830	492 830

30 June 2016

	Outstanding more than 90 days R	Total R
Chebase E (Acc no 601490)	37 428	37 428
Du Toit T (Acc no 525381)	235	235
Khunou PJ (Acc no 103351 and 575822))	2 757	2 757
Mabasa KT (Acc no 579460 and 600299)	3 486	3 486
Machaea MF (Acc no 103252 and 561530)	765	765
Mahlangu J (Acc no 612694)	120 560	120 560
Mofokeng TJ (Acc no 511539 and 579964)	51 579	51 579
Mosia MM (Acc no 555731)	6 463	6 463
Mtshali BP (Acc no 562315)	62 640	62 640
Moreki S (Acc no 526465)	58 600	58 600
Moreki S (Acc no 526465)	66 918	66 918
Sejaki PS (Acc no 565498)	20 452	20 452
Semonyo JS (Acc no 103997)	4 110	4 110
Tamane WL (Acc no 551238)	44	44
	436 037	436 037

Supply chain management regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned by the Accounting Officer.

Incident

Emergency	-	11 922 706
Exceptional/Impractical	-	4 579 411
Other	-	58 861
Other	17 225 668	-
Social crime prevention	-	101 282
Sole suppliers	-	479 444
	17 225 668	17 141 704

The full extent of the current year's deviations expenditure which could potentially result in irregular expenditure is still in the process of being determined.

50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed hereunder have been approved by the Accounting Officer:

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51. Budget differences

Material differences between budget and actual amounts

1. Service charges - Electricity sales and refuse charges were less than the budgeted. Water restrictions contribute in lower revenue on water as well as certain areas that used water without they were billed.
2. Non-payment fees - Less actions were taken against non-payers of services, therefore less actual revenue than budgeted for.
3. Billboards - Collection for billboards exceed the budget.
4. Building Plans - Collection for building plans is less than the budget due to non-submission of building plans by the community and due to economic decline.
5. Connection Plans - Fewer consumers applied for the new connections to service network than budgeted for. The economic decline also plays a part.
6. Property Rates - Assessment rates billed were more than budgeted due to supplementary valuation roll.
7. Private Telephone Calls - Collection for telephone calls exceeded the budget due to better cost control.
8. Tender deposit - Collection for tender deposit is less than the budget amount due to fewer tenders advertised.
9. Fines - The fines allocated in terms of GRAP exceeded the budget.
10. Interest received - Interest on investments was increased in the adjustment budget based on prevailing circumstances.
11. Government grants and subsidies - Exceeded the budget due to increase of R15 000 000 from the Municipal Infrastructure Grant.
12. Income legal cost - Less actions were taken against consumers than anticipated with the budget.
13. Licences and permits - The money collected on licences and street trading was less than the budget.
14. Finance cost - Interest on overdue accounts were not budgeted for.
15. Lease rental on operating lease - Government Garage expenditure.
16. Sewer treatment charges - Charges were lower than anticipated.
17. The contribution for employee benefits was than anticipated and does not exceed the budget.
18. The councillors' actual expenditure lower than the budget as all councillors did not receive a general increase.
19. Computer services did not exceed the budget.
20. Commission of electricity sales exceeded the budget as more consumers converted to pre-paid electricity meters and various levels of consumption.
21. Provision for impairment exceeded the budget as the non-payment of consumers and fines increased.
22. Donations were made by the public for infrastructure that was not part of the budget.
23. Assets from insurance were not budgeted for.
24. Depreciation is R17 million less that the budget due to capital projects/items not finalised or implemented.
25. Water purchased lower than budgeted due to a refund from Rand Water.
26. Contracted service - less was spent than budgeted, such as collection from Easy Pay and traffic camera fines.

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51. Budget differences (continued)

27. Dividends on shares were not budgeted for.

28. Interest income - consumers exceeded the budget as the non-payment for services increased.

29. Repairs and maintenance are less than the budget amount due to cash constraints.

52. Sale of Stands

Gain or loss on sale of stands asset	294 457	1 425 535
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53. Auditors' remuneration

Fees	6 326 106	4 741 151
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54. Repairs and maintenance

Contracted services/materials

Roads and stormwater	3 353 374	6 977 615
Sewer network and pumpstations	4 492 552	3 845 516
Water network	217 384	2 642 798
Electricity network and substations	5 865 343	2 960 323
Buildings and sites	399 672	1 110 091
Equipment	621 782	794 122
Vehicles	3 179 132	2 119 682
	18 129 23	20 450 14

General expenditure: stocks and materials

Electricity section	39 990	2 646 723
Vehicle maintenance section	13 341	3 306
Roads and storm water section	89 483	141 813
Building maintenance section	26 556	50 616
Sewer maintenance section	99 104	71 252
Water maintenance section	370 460	327 745
	18 768 173	23 691 602

55. Other revenue

Levies dumpyard	626 620	825 555
Connection fees	3 167 363	2 338 908
Sundry income	9 275 452	4 480 888
Legal cost	3 593 305	4 464 527
	16 662 740	12 109 878

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56. Revenue

Service charges	535 047 962	513 136 112
Rental of facilities and equipment	6 068 776	4 641 920
Interest received (trading)	25 071 512	16 449 002
Non-payment fees	5 601 620	5 202 473
Licences and permits	116 954	159 061
Fines	17 272 057	17 674 548
Levies - refuse dump yard	626 620	825 555
Connection fees	3 167 363	2 338 908
Other income	9 275 452	4 480 888
Income legal cost	3 593 305	4 464 527
Interest received - investment	2 107 597	2 701 815
Dividends received	98 858	96 022
Property rates	128 980 269	114 445 495
Government grants & subsidies	207 642 375	202 893 358
Public contributions and donations	10 414 953	16 729 794
	955 085 673	906 239 478

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	535 047 962	513 136 112
Rental of facilities and equipment	6 068 776	4 641 920
Interest received - consumers	25 071 512	16 449 002
Non-payment fees	5 601 620	5 202 473
Licences and permits	116 954	159 061
Miscellaneous other revenue	17 272 057	17 674 548
Levies - refuse dump yard	626 620	825 555
Connection fees	3 167 363	2 338 908
Other income	9 275 452	4 480 888
Income legal cost	3 593 305	4 464 527
Interest received - investment	2 107 597	2 701 815
Dividends received	98 858	96 022
	608 048 076	572 170 831

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	128 980 269	114 445 495
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Transfer revenue

Government grants & subsidies	207 642 375	202 893 358
Public contributions and donations	10 414 953	16 729 794
	347 037 597	334 068 647

57. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	6 068 776	4 641 920
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Appendix A

Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at Thursday, 30 June 2016	Received during the period	Redeemed written off during the period	Balance at Friday, 30 June 2017	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa							
Loan 61006825	9000000	5 783 752	-	1 163 296	4 620 456	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		5 783 752	-	1 163 296	4 620 456	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
Lease liability							
Standard Banh Finance Facility		9 230 215	5 112 662	1 977 460	12 365 417	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		9 230 215	5 112 662	1 977 460	12 365 417	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
Total external loans							

Appendix A

Schedule of external loans as at 30 June 2017

[illegible]

Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	225 670 815	-	(305 000)	-	-	-	225 365 815	-	-	-	-	-	-	225 365 815
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	140 763 412	6 591 342	-	-	-	-	147 354 754	(54 881 551)	-	-	(2 687 751)	-	(57 569 302)	89 785 452
	366 434 227	6 591 342	(305 000)	-	-	-	372 720 569	(54 881 551)	-	-	(2 687 751)	-	(57 569 302)	315 151 267
Infrastructure														
Roads, Pavements & Bridges	724 255 442	44 575 853	-	-	-	-	768 831 295	(497 627 343)	-	-	(21 792 050)	-	(519 419 393)	249 411 902
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	300 857 756	17 468 318	(354 500)	-	-	-	317 971 574	(124 153 631)	-	-	(6 900 881)	-	(131 054 512)	186 917 062
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	437 753 279	-	-	-	-	-	437 753 279	(270 824 699)	-	-	(7 334 040)	-	(278 158 739)	159 594 540
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	316 901 704	15 694 696	-	-	-	-	332 596 400	(99 118 594)	-	-	(3 010 698)	-	(102 129 292)	230 467 108
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	85 719	-	-	-	-	-	85 719	(74 303)	-	-	(3 805)	-	(78 108)	7 611
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	3 724 169	-	-	-	-	-	3 724 169	(676 968)	-	-	(80 705)	-	(757 673)	2 966 496
	1 783 578 069	77 738 867	(354 500)	-	-	-	1 860 962 436	(992 475 538)	-	-	(39 122 179)	-	1 031 597 717	829 364 719
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	2 595 487	(2 595 487)	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 595 487	(2 595 487)	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	31 944 817	3 242 265	(1 686 711)	-	-	-	33 500 371	(20 574 130)	1 379 747	-	(3 954 034)	-	(23 148 417)	10 351 954
Plant & equipment	18 459 474	1 055 939	(357 487)	-	-	-	19 157 926	(11 290 876)	306 983	-	(1 665 217)	-	(12 649 110)	6 508 816
Computer Equipment	40 216 253	1 396 073	(545 269)	-	-	-	41 067 057	(30 197 597)	495 773	-	(4 982 433)	-	(34 684 257)	6 382 800
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	26 168 400	60 813	(1 141 836)	-	-	-	25 087 377	(20 511 335)	1 033 035	-	(2 681 131)	-	(22 159 431)	2 927 946
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	8 096 680	2 923 073	-	-	-	-	11 019 753	(103 938)	-	-	(890 824)	-	(994 762)	10 024 991
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	124 885 624	8 678 163	(3 731 303)	-	-	-	129 832 484	(82 677 876)	3 215 538	-	(14 173 639)	-	(93 635 977)	36 196 507

Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	366 434 227	6 591 342	(305 000)	-	-	-	372 720 569	(54 881 551)	-	-	(2 687 751)	-	(57 569 302)	315 151 267
Infrastructure	1 783 578 069	77 738 867	(354 500)	-	-	-	1 860 962 436	(992 475 538)	-	-	(39 122 179)	-	1 031 597 717	829 364 719
Community Assets	2 595 487	(2 595 487)	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	124 885 624	8 678 163	(3 731 303)	-	-	-	129 832 484	(82 677 876)	3 215 538	-	(14 173 639)	-	(93 635 977)	36 196 507
	2 278 054 408	90 412 885	(4 390 803)	-	-	-	2 364 076 490	(1 130 034 965)	3 215 538	-	(55 983 569)	-	(1 182 802 996)	1 181 273 494
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	863 321	4 224 855	-	-	-	-	5 088 176	(545 692)	-	-	(197 962)	-	(743 654)	4 344 522
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	863 321	4 224 855	-	-	-	-	5 088 176	(545 692)	-	-	(197 962)	-	(743 654)	4 344 522
Investment properties														
Investment property	86 902 762	-	(310 000)	-	-	-	86 592 762	(513 426)	-	-	(25 790)	-	(539 216)	86 053 546
	86 902 762	-	(310 000)	-	-	-	86 592 762	(513 426)	-	-	(25 790)	-	(539 216)	86 053 546
Total														
Land and buildings	366 434 227	6 591 342	(305 000)	-	-	-	372 720 569	(54 881 551)	-	-	(2 687 751)	-	(57 569 302)	315 151 267
Infrastructure	1 783 578 069	77 738 867	(354 500)	-	-	-	1 860 962 436	(992 475 538)	-	-	(39 122 179)	-	1 031 597 717	829 364 719
Community Assets	2 595 487	(2 595 487)	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	124 885 624	8 678 163	(3 731 303)	-	-	-	129 832 484	(82 677 876)	3 215 538	-	(14 173 639)	-	(93 635 977)	36 196 507
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	863 321	4 224 855	-	-	-	-	5 088 176	(545 692)	-	-	(197 962)	-	(743 654)	4 344 522
Investment properties	86 902 762	-	(310 000)	-	-	-	86 592 762	(513 426)	-	-	(25 790)	-	(539 216)	86 053 546
	2 365 820 491	94 637 740	(4 700 803)	-	-	-	2 455 757 428	(1 131 094 083)	3 215 538	-	(56 207 321)	-	(1 184 085 866)	1 271 671 562

Appendix B

Analysis of property, plant and equipment as at 30 June 2016	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	225 266 450	404 365	-	-	-	-	225 670 815	-	-	-	-	-	-	225 670 815
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	134 856 434	5 906 978	-	-	-	-	140 763 412	(52 217 280)	-	-	(2 664 271)	-	(54 881 551)	85 881 861
	360 122 884	6 311 343	-	-	-	-	366 434 227	(52 217 280)	-	-	(2 664 271)	-	(54 881 551)	311 552 676
Infrastructure														
Roads, Pavements & Bridges	709 246 928	22 585 539	(7 577 025)	-	-	-	724 255 442	(492 807 055)	6 363 064	-	(11 183 352)	-	(497 627 343)	226 628 099
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	258 645 570	43 283 207	(1 071 021)	-	-	-	300 857 756	(118 500 745)	705 946	-	(6 358 832)	-	(124 153 631)	176 704 125
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	434 086 304	3 666 975	-	-	-	-	437 753 279	(263 501 622)	-	-	(7 323 077)	-	(270 824 699)	166 928 580
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	290 583 751	26 317 953	-	-	-	-	316 901 704	(96 107 895)	-	-	(3 010 699)	-	(99 118 594)	217 783 110
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	85 719	-	-	-	-	-	85 719	(72 537)	-	-	(1 766)	-	(74 303)	11 416
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucutr)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	3 724 169	-	-	-	-	-	3 724 169	(668 139)	-	-	(8 829)	-	(676 968)	3 047 201
	1 696 372 441	95 853 674	(8 648 046)	-	-	-	1 783 578 069	(971 657 993)	7 069 010	-	(27 886 555)	-	(992 475 538)	791 102 531
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	2 595 487	-	-	-	-	2 595 487	-	-	-	-	-	-	2 595 487
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	2 595 487	-	-	-	-	2 595 487	-	-	-	-	-	-	2 595 487

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	32 108 817	-	(164 000)	-	-	-	31 944 817	(16 879 258)	110 700	-	(3 805 572)	-	(20 574 130)	11 370 687
Plant & equipment	17 356 363	1 130 361	(27 250)	-	-	-	18 459 474	(10 453 624)	3 179	-	(840 431)	-	(11 290 876)	7 168 598
Computer Equipment	40 201 744	18 009	(3 500)	-	-	-	40 216 253	(25 258 817)	2 837	-	(4 941 617)	-	(30 197 597)	10 018 656
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	25 836 122	332 278	-	-	-	-	26 168 400	(17 976 645)	-	-	(2 534 690)	-	(20 511 335)	5 657 065
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	8 096 680	-	-	-	-	8 096 680	-	-	-	(103 938)	-	(103 938)	7 992 742
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	115 503 046	9 577 328	(194 750)	-	-	-	124 885 624	(70 568 344)	116 716	-	(12 226 248)	-	(82 677 876)	42 207 748

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	360 122 884	6 311 343	-	-	-	-	366 434 227	(52 217 280)	-	-	(2 664 271)	-	(54 881 551)	311 552 676
Infrastructure	1 696 372 441	95 853 674	(8 648 046)	-	-	-	1 783 578 069	(971 657 993)	7 069 010	-	(27 886 555)	-	(992 475 538)	791 102 531
Community Assets	-	2 595 487	-	-	-	-	2 595 487	-	-	-	-	-	-	2 595 487
Heritage assets	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	115 503 046	9 577 328	(194 750)	-	-	-	124 885 624	(70 568 344)	116 716	-	(12 226 248)	-	(82 677 876)	42 207 748
	2 172 559 372	114 337 832	(8 842 796)	-	-	-	2 278 054 408	1 094 443 617	7 185 726	-	(42 777 074)	-	1 130 034 965	1 148 019 443
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	863 321	-	-	-	-	-	863 321	(418 144)	-	-	(127 548)	-	(545 692)	317 629
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	863 321	-	-	-	-	-	863 321	(418 144)	-	-	(127 548)	-	(545 692)	317 629
Investment properties														
Investment property	86 902 762	-	-	-	-	-	86 902 762	(487 635)	-	-	(25 791)	-	(513 426)	86 389 336
	86 902 762	-	-	-	-	-	86 902 762	(487 635)	-	-	(25 791)	-	(513 426)	86 389 336
Total														
Land and buildings	360 122 884	6 311 343	-	-	-	-	366 434 227	(52 217 280)	-	-	(2 664 271)	-	(54 881 551)	311 552 676
Infrastructure	1 696 372 441	95 853 674	(8 648 046)	-	-	-	1 783 578 069	(971 657 993)	7 069 010	-	(27 886 555)	-	(992 475 538)	791 102 531
Community Assets	-	2 595 487	-	-	-	-	2 595 487	-	-	-	-	-	-	2 595 487
Heritage assets	561 001	-	-	-	-	-	561 001	-	-	-	-	-	-	561 001
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	115 503 046	9 577 328	(194 750)	-	-	-	124 885 624	(70 568 344)	116 716	-	(12 226 248)	-	(82 677 876)	42 207 748
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	863 321	-	-	-	-	-	863 321	(418 144)	-	-	(127 548)	-	(545 692)	317 629
Investment properties	86 902 762	-	-	-	-	-	86 902 762	(487 635)	-	-	(25 791)	-	(513 426)	86 389 336
	2 260 325 455	114 337 832	(8 842 796)	-	-	-	2 365 820 491	1 095 349 396	7 185 726	-	(42 930 413)	-	1 131 094 083	1 234 726 408

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun		Yes/ No	
Local Government Financial Government Grant	National Treasury	1 625	-	-	-	-	175	125	355	970	-	-	-	-	-	-		Yes	
Municipal Systems Improvement Grant	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Expanded Public Works Programme Integrated Grant	National Treasury	265	477	318	-	-	231	233	379	280	287	-	49	-	-	-	Previous year funds	Yes	
Water Services Operating Subsidy grant	National Treasury	-	-	-	-	-	-	-	-	-	-	-	10	-	-	-	Previous year funds	Yes	
Municipal Infrastructure Grant	National Treasury	16 485	9 414	31 724	-	-	4 135	23 092	2 698	22 342	-	-	-	-	-	-		Yes	
Integrated National electrification programme Grant	National Treasury	3 310	9 266	5 823	-	-	7 510	4 950	1 415	3 082	-	-	-	-	-	-		Yes	
Equitable Share	National Treasury	52 490	41 934	31 495	-	-	31 441	30 895	32 478	31 105	-	-	-	-	-	-		Yes	
SETA	LGSETA	97	92	124	205	-	97	44	88	288	-	-	-	-	-	-			
SETA (WIL)	LGSETA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		74 272	61 183	69 484	205	-	43 589	59 339	37 413	58 067	287	-	59	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.